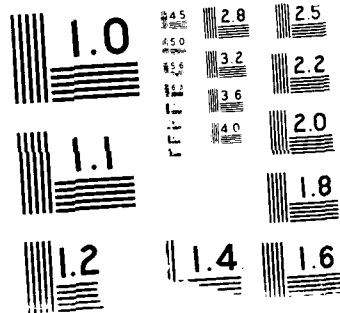


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A 15x15 grid of 225 small, dark, rectangular images. Most of the images are black or very dark gray. A few images contain faint, light-colored patterns or structures, possibly representing biological or geological samples. The grid is arranged in a regular, repeating pattern.



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STUDENT REPORT

AWARD FEE HANDBOOK

MAJOR WILLIAM L. GOETZ
MAJOR ROBERT F. JENNINGS 88-1050

"insights into tomorrow"

88 5 1 5

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Submitted to the faculty in partial fulfillment of
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PREFACE

In completing this project we identified the need for an Award Fee handbook within Air Force Systems Command (AFSC) and then developed one. This handbook, Appendix 1 to the research project, will be published for AFSC after review and approval by the AFSC Commander.

We want to recognize the support and assistance from the many individuals who made contributions to this product.

First are the individuals assigned by headquarters, at each AFSC product division and organization, to be the organizational focal points. Almost without exception these individuals provided timely and useful information. For this we thank them. They are individually identified in the bibliography.

In addition to these key individuals, there are a number of other contributors. At HQ AFSC, Mr. Dale McNabb helped get the project command support, Mr. Virgil Hertling helped get product division and organization focal points, and Mr. Frank Donnelly reviewed our draft project. Additionally, at the Western Space and Missile Center, Mr. Robert W. Irwin provided his valuable time to review the draft. Finally, two individuals at the Ballistic Missile Office provided assistance to us. Lt Col Robert Andrej provided us copies of documents that we used in our research as well as reviewing our draft project. Ms Amy Zeugner provided a user's view of the draft.

Some additional contributors are those many individuals who developed what little current guidance existed within AFSC. We liberally used their work in the Award Fee handbook. Important contributions came from Space Division's Award Fee Pamphlet 70-9, Air Force Weapons Laboratory Regulation 70-5, and several AFSC and NASA Award Fee Plans.

Finally, we received our Award Fee experience at AFSC's Space Division and Ballistic Missile Office; so we credit their leaders, managers, and contractors as important, uncited sources for this research project.

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ABOUT THE AUTHORS

Major Robert F. Jennings received his commission through Officers Training School in 1975. His first assignment was as a Missile Combat Crew Member (MCCM) at the 44th Strategic Missile Wing, Ellsworth AFB SD. In December 1979, Major Jennings was assigned as commander of Air Force Institute of Technology (AFIT), Detachment 6. His next assignment, in July 1982, was with AFIT's Education With Industry program where he spent a year working at Hughes Aircraft in Tucson AZ. In July 1983 he was assigned to the Ballistic Missile Office (BMO), Norton AFB CA. While at BMO, he performed duties as Manufacturing Management Officer, Contract Negotiator, and Contracting Officer. In these last two positions, Major Jennings was responsible for the award and administration of nine major contracts, valued in excess of \$1.4 billion. Six of these contracts, valued in excess of \$1.1 billion, had an Award Fee provision as a significant portion of the available fee. Major Jennings holds a Bachelor of Arts Degree in Business Administration from LaVerne College in California and a Master of Business Administration from the University of South Dakota. He completed Squadron Officers School in 1981 and was a member of Air Command and Staff College's Class of 1988.

Major William L. Goetz received his commission through the Air Force Reserve Officers Training Corps in 1974. His initial assignment was as a MCCM at the 351st Strategic Missile Wing, Whiteman AFB MO. His next assignment was at the 4315th Combat Crew Training Squadron, Vandenberg AFB CA. In June 1981 he reported to AFIT's School of Systems and Logistics, Wright-Patterson AFB OH as a graduate student. Following graduation in September 1982, he joined Space Division's Space Shuttle Vandenberg AFB Launch and Landing Site (VLS) program office. He was the business manager and Award Fee project officer for both Air Force and NASA contracts with Award Fee pools valued in excess of \$60 million. Shortly before he left the VLS program office, the Air Force Systems Command Inspector General recognized VLS Award Fee programs as being noteworthy. Major Goetz holds a Bachelor of Science Degree in Business Administration from the University of Tennessee, a Master of Business Administration from the University of Missouri, and a Master of Science Degree in Systems Management from AFIT. He was a Distinguished Graduate of Squadron Officers School in 1979 and was a member of Air Command and Staff College's Class of 1988.

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NEEDS ASSESSMENT

Air Force Manual (AFM) 1-1 states: "Congress has given the Department of the Air Force primary responsibility for equipping aerospace forces in peacetime for the effective prosecution of war" (29:4-8).

An Air Force Magazine article about Air Force Systems Command (AFSC) states: "The command's primary mission is to advance aerospace technology, to incorporate those advances in the development and improvement of aerospace systems, and to acquire qualitatively superior, cost-effective, and logistically supported aerospace systems and equipment" (1:101).

Finally, the Federal Acquisition Regulation (FAR) states, in discussing when to use Cost-Plus Award Fee (CPAF) contracts: "(11) The likelihood of meeting acquisition objectives will be enhanced by using a contract that effectively motivates the contractor toward exceptional performance" (35:para 16.404-2).

The logic trail between these three quotes shows the importance of this research project. The people of the United States, through Congress, give AFSC the responsibility for equipping our aerospace forces with "qualitatively superior, cost effective, and logistically supported" weapon systems (1:101-102). The question, then, for AFSC is how to field those superior weapon systems given the economic, political, and technical environment. There are many methods, but effective Award Fee contracting provides the impetus for defense contractors to perform in the "exceptional" manner needed to design and to produce those needed weapon systems.

This chapter introduces the reader to this research project and includes the following parts:

A. Problem statement and research objectives. The problem statement and research objectives for the project are stated to show its ends and means.

B. Scope. Four internal limitations focused this project's scope and allowed for concentration on those programs which are few in number but use a "lion's share" of the budget.

C. Needs assessment. This part treats half of the first research objective ("Determine need for an Award Fee handbook . . .") and summarizes the results of the author's telephone interviews with AFSC product division and office representatives.

D. Methodology and Instructional System Development Documentation. These two parts treat the rest of the first research objective (" . . . and what should be included [in an Award Fee handbook].")

PROBLEM STATEMENT AND RESEARCH OBJECTIVES

Problem Statement

Can a handbook be developed for AFSC to more effectively plan and execute Award Fee contracts?

Specifically, the authors assert (and prove with the first research objective) that the Award Fee tool is inconsistently used by AFSC and requires standardization and improvement. This research project's output is a draft handbook to provide the AFSC program's project officer and contracting officer with a standardized and usable Award Fee tool.

Research Objectives

There are seven research objectives addressed in this project. The first objective is treated in this chapter while the remaining six objectives are treated in the Award Fee handbook itself. Research objectives are to

A. determine the need for an Award Fee handbook and what should be included,

B. explain the applicability and advantages and disadvantages of an Award Fee contractual arrangement,

C. explain how to structure solicitations and contracts for Award Fee programs,

D. explain the procedure for establishing and maintaining an Award Fee Plan,

E. provide a sample Award Fee Plan,

F. identify and explain what should be accomplished to effectively manage an Award Fee contract, and

G. explain the parts of a contractor developed process for monitoring the Award Fee program and include an example in the handbook.

SCOPE

From the outset we place four limits on this research project.

Limitation 1

Only AFSC contracts are addressed. Rationale: 1) Trying to make the handbook's instructions generic enough to satisfy all of the unique regulations of different commands, agencies, and departments would dilute the product's usefulness. Rather than produce a generic document useful to none, we elect to produce an AFSC unique document. 2) By major command, AFSC is the Air Force's "Big Spender." "AFSC is only the eighth largest major command in terms of people, yet controls one-third of the Air Force's budget--more than \$30 billion" (2:8). 3) This research project was requested by HQ AFSC/PK for AFSC use (12:--).

Limitation 2

Base-level contracts for such services as food and custodial services are excluded. Rationale: 1) Air Force Logistics Management Center (AFLMC) studied and prepared a draft Award Fee guide for base-level contracting in Sept 87 which adequately addresses this type of contracting (20:--). 2) While AFSC uses base-level contracts to operate its installations, the contracts which directly support AFSC's Air Force mission are research, development, test, evaluation (RDT&E), and acquisition contracts. 3) Major weapons system contracts costs range in the hundreds of millions or billions of dollars, so even modest improvements in their administration may yield significant cost savings.

Limitation 3

The target user of this research project works in and has a working knowledge of weapon system acquisition. The research project is written to that level of knowledge. The two target user groups are:

A. Contracting Officers and Buyers (Air Force Specialty Code (AFSC) 65XX) who completed a Systems Level Contracting or an equivalent course and have at least six months work experience.

B. Project Officers in the Scientific and Development Engineering career area (AFSCs 26XX, 27XX, and 28XX) who completed the requirements of Air Force Systems Command's Acquisition Management Certification, Level I. Level I certification indicates

that the person completed an introductory weapon system acquisition course (such as Air Force Institute of Technology's Systems 100 course) and worked in a program office for at least six months (23:Atch 1; 3:232-236).

Rationale: This limitation allows the research project workbook to concentrate on Award Fee contracting without providing information that might appear redundant to those with experience in the field.

Limitation 4

Our test for completion is limited to providing a draft handbook to our Headquarters AFSC sponsor. The sponsor must be satisfied that the handbook is adequate for becoming the AFSC command standard and is ready for detailed product division review and comment. Rationale: 1) There is insufficient time to prepare, coordinate, and publish the final AFSC Regulation or Pamphlet before the research project due date. 2) We question our diplomatic ability to get AFSC's five very independent product divisions to willingly agree to a command standard without the power of the HQ level staff sponsor behind the proposal and without time consuming command-wide coordinating meetings.

By limiting this research project, the authors feel it is possible to produce a usable product with the following characteristics:

- A. is useful in managing AFSC contracts,
- B. is useful to the program office,
- C. is useful in managing RDT&E and acquisition contracts (i.e., not a base-level contract), and
- D. is useful to personnel with a working knowledge and experience in weapon system acquisition. In addition, it provides adequate time for HQ AFSC to coordinate with its product divisions, to resolve division unique concerns in an orderly manner, and to publish a true command standard for Award Fee contracting.

NEEDS ASSESSMENT

AFSC needs a handbook which aids Award Fee program standardization and improves government management of Award Fee contracts. Specifically, this needs assessment treats half of the first research objective ("Determine need for an Award Fee handbook . . .") and summarizes findings from interviews with Headquarters AFSC, product divisions, and other organizations (ranges, laboratories, test facilities, etc.).

HQ AFSC

The authors consulted with the AFSC/PKM project officer. He stated the following:

A. AFSC is dedicated to improving and perfecting Award Fee contracting within AFSC.

B. A perceived problem in Award Fee contracting is the lack of standardization among AFSC units. He desires to surface the different procedures and to publicize several of the more promising procedures.

C. There is no desire to publish additional regulatory direction on Award Fee contracting implementation. However, he expressed a desire to have a handbook which provided general guidance to contracting officers and program office project officers (12:--).

Interviews

With the assistance of HQ AFSC/PKM, the authors interviewed representatives of AFSC's product divisions and organizations. The interviews did not constitute a scientifically conducted survey, but were structured interviews to surface problems and differences between AFSC units. The information in all of this section is a summary of those interviews (5:--; 6:--; 7:--; 8:--; 9:--; 10:--; 11:--; 13:--; 14:--). The interviews addressed several questions and surfaced the following noteworthy information:

A. The relative importance of Award Fee contracting to AFSC. What percent of your contracts contain Award Fee provisions? How large are the contracts that contain Award Fee provisions? How large are the Award Fee pools?

A noteworthy piece of information resulting from this question was that it is difficult to obtain reliable information from the command's computerized contracting management system. Detailed command wide information was not available, but the interviewees provided the best information available.

The percentage of contracts using Award Fee provisions averages 4% (99 of 2488 contracts). However, there is a wide usage range between the product divisions and organizations--from 1.6% to 14%.

The dollar value of contracts with Award Fee provisions was difficult for the interviewees to provide, so there were a lot of estimates to this question. The comparison of the dollar value of Award Fee contracts to the total dollar value of all contracts administered shows diversity--from 6.8% to 67%. How-

ever, a more important indicator shows that Award Fee is used on high dollar value contracts. In one organization 10% of the contracts used Award Fee, but that 10% represented 38% of the dollars spent by that organization. In another instance, 14% of the contracts used Award Fee and spent 67% of the dollars.

The value of the Award Fee pools range from \$600K for an entire AFSC organization to \$40M for a single contract. Again, a wide range in the usage.

B. What types of contracts include Award Fee provisions?

The most common answer to this question was Cost-Plus-Award-Fee (CPAF). However, some units used combinations of Cost-Plus-Incentive-Fee(CPIF)/Award Fee (AF), CPIF/AF/Fixed Fee (FF), and Fixed-Price Incentive (Firm Target) (FPIF)/AF.

C. Award Fee contracts are used for what types of efforts?

Award Fee contracts are used in all facets of RDT&E and acquisition. This includes engineering services, system development, test range support, and operations and maintenance (O&M) of test facilities.

D. What types of supplemental guidance is available?

There is some supplemental guidance available. Space Division developed and published Award Fee pamphlets since at least 1980 with the current edition published in 1985. Air Force Weapons Laboratory published an Award Fee regulation in 1981.

The normal answer received was that the project officer and contracting officer assigned to a new program used existing contracts and program office management as models. They then modified this data to fit their own program. There was little indication that organizations discussed Award Fee procedures between product divisions and organizations.

E. What is the experience level of government people managing Award Fee programs?

Input from the field was very consistent. The typical project officer was a Lieutenant, junior-Captain, or mid-level civil servant who was a new user of Award Fee contracting and had about two years of weapon system acquisition experience.

In discussing Contracting Officers, the typical PCO was an experienced civil servant with 10 or more years in the contracting career field. However, many PCOs were still first time users of Award Fee contracts. The program office interface with the contracting officer was via less experienced buyers or contract analysts.

As expected, the junior and inexperienced project officers and contracting personnel were supervised by more senior people especially during the fee determination process. However, even those senior officers were likely to be first time users of Award Fee contracts.

F. Have any Award Fee related problems arisen which could have been prevented with better guidance?

The following themes emerged:

1. There is little consistency between Award Fee Plans within product divisions or organizations. While such plans must obviously be tailored to the program, some standard sections are desirable.
2. There is a need to clarify the status of the Award Review Board (ARB) recommendation in the Fee Determining Official's (FDO's) fee determination--should the FDO rubber stamp the ARB recommendation or should the ARB recommendation just be considered an addition (but important) input to the FDO's deliberation.
3. There is little standardization in the method used to satisfy the funding requirements of an Award Fee program award. While AFSC complies with all statutes, the product divisions and organizations use several ways to get Award Fees funded.

There is a general interest in receiving assistance in developing and operating better Award Fee programs without imposing another overly restrictive regulation. On one hand the AFSC Inspector General inspected two Award Fee programs in one organization at one location which were independently developed--one program received a favorable finding while the other program was criticized. That might indicate the need for some standardization; however, a command-wide standardization might prove overly restrictive and unable to take every program unique situation into account.

G. Are there any suggestions for improving Award Fee contracting which should be included in a handbook?

There were a number of suggestions which the authors considered and incorporated into the proposed handbook.

Conclusions

The authors draw the following conclusions from our interviews with HQ AFSC, product divisions and organizations:

A. AFSC does not uniformly use or administer Award Fee contracts.

B. AFSC does comply with statutes and the Federal Acquisition Regulation (FAR). However, each product division and organization is essentially on its own to develop detailed implementation instructions.

C. There is little inter-product division or organization cross flow of information concerning effective Award Fee contracting.

D. The HQ AFSC, product divisions, and organizations are receptive to receiving a form of assistance. However, that assistance should not be regulatory or restrictive.

E. Inexperienced and junior project officers with more senior contracting officers prepare and administer Award Fee programs. These people are supervised by more superior officers with little experience in using Award Fee contracts.

F. AFSC needs a handbook which

1. comprehensively discusses Award Fee contract development and administration,

2. is targeted at assisting a novice Award Fee contract project officer and contracting officer,

3. recognizes that aspects of acquisition management such as financial management operations are not likely to restructure itself for the convenience of Award Fee contracts, and

4. is a helpful source of information and options without becoming a regulatory document.

From the outset the authors' opinion is that the mandate given to the program manager extends to the development and operation of his Award Fee program. As long as that program helps to achieve program objectives and complies with the statutes and the FAR, there should be no additional regulation.

Having determined the need to better standardize and to improve Award Fee contracting, the next step of the needs assessment is to determine what information is needed by the project office and contracting officer.

METHODOLOGY

This part introduces two methodologies used in the remainder of the needs assessment and treats the rest of the first research objective ("... and what should be included [in an Award Fee handbook].") The two methodologies are as follows:

A. Instructional System Development (ISD) is used to determine what knowledge, skills, and attitudes are needed by AFSC people who work with Award Fee contracts.

B. "The Procurement Process" model is a subject matter organizational scheme used during the ISD analysis.

Instructional System Development

Air Force Regulation (AFR) 50-8 requires that all Air Force training and education programs are developed and conducted in accordance with the ISD process. While this is not a curriculum development research project, ISD provides a systematic and comprehensive methodology for determining what needs to be in the handbook.

ISD is defined as:

[ISD is] a systematic but flexible process used to plan, develop, and manage education and training programs. When used properly, the ISD process helps managers plan and use training resources effectively. The ISD process identifies training requirements; translates those requirements into valid learning objectives; selects the proper training strategy; develops effective training delivery systems; and provides quality control. Using ISD makes sure that people get the knowledge, skills, and attitudes needed to do their Air Force jobs (31:1; 21:5).

ISD requires the training developer to do the following five steps:

- A. Analyze system requirements.
- B. Define education/training requirements.
- C. Develop objectives and tests.
- D. Plan, develop, and validate instruction.
- E. Conduct and evaluate instruction.

The process takes place in an environment of "constraints" to the training system, and the five steps are connected by a "feedback and interaction loop" (31:Figure 1).

"The Procurement Process" Model

The authors used "The Procurement Process" model during the ISD systems analysis to insure that all Award Fee related requirements were identified. This model (see Figure 1) was developed by the President's Commission on Government Procurement (COGP) in 1972 and "has become the most widely recognized model of the federal procurement system (4:136)." A summary of the model elements follows:

A. Statutes and Regulations. The Federal government's procurement process is defined in statutes and regulations which form the procurement environment (4:137-138). The research project authors would also suggest there are other environmental factors which should be included in procurement's environment such as economic conditions, industry business conditions and the political environment.

B. Procurement Workforce. "At its core, the COGP model identifies the procurement workforce." It is composed of the managers, acquisition technical workers (e.g., engineers and schedulers), and the procurement specialist (e.g., the contracting officer) (4:139).

C. Needs and Funding. The procurement process is activated by a perceived need and accompanying funding (4:139). While "needs" are limitless, the federal budgeting process provides the control mechanism which insures reasonable resource utilization.

D. Planning.

The planning phase is principally where procurement strategy is developed. Critical to the strategy decisions is the translation of perceived needs into detailed statements that will be incorporated into one or more individual procurement action. . . . This drawing of relationships between defined needs and perceived sources and capabilities enables the manager to develop a procurement strategy (4:139-140).

The planning phase is the first time the proposed procurement is understood enough to identify the conditions suitable for using an Award Fee contract.

E. Execution. "In the model, the segment identified as solicitation, selection and award conceptualizes the execution of procurement strategy" (4:140). While not stated in the readings, the research project authors include "negotiations" as being part

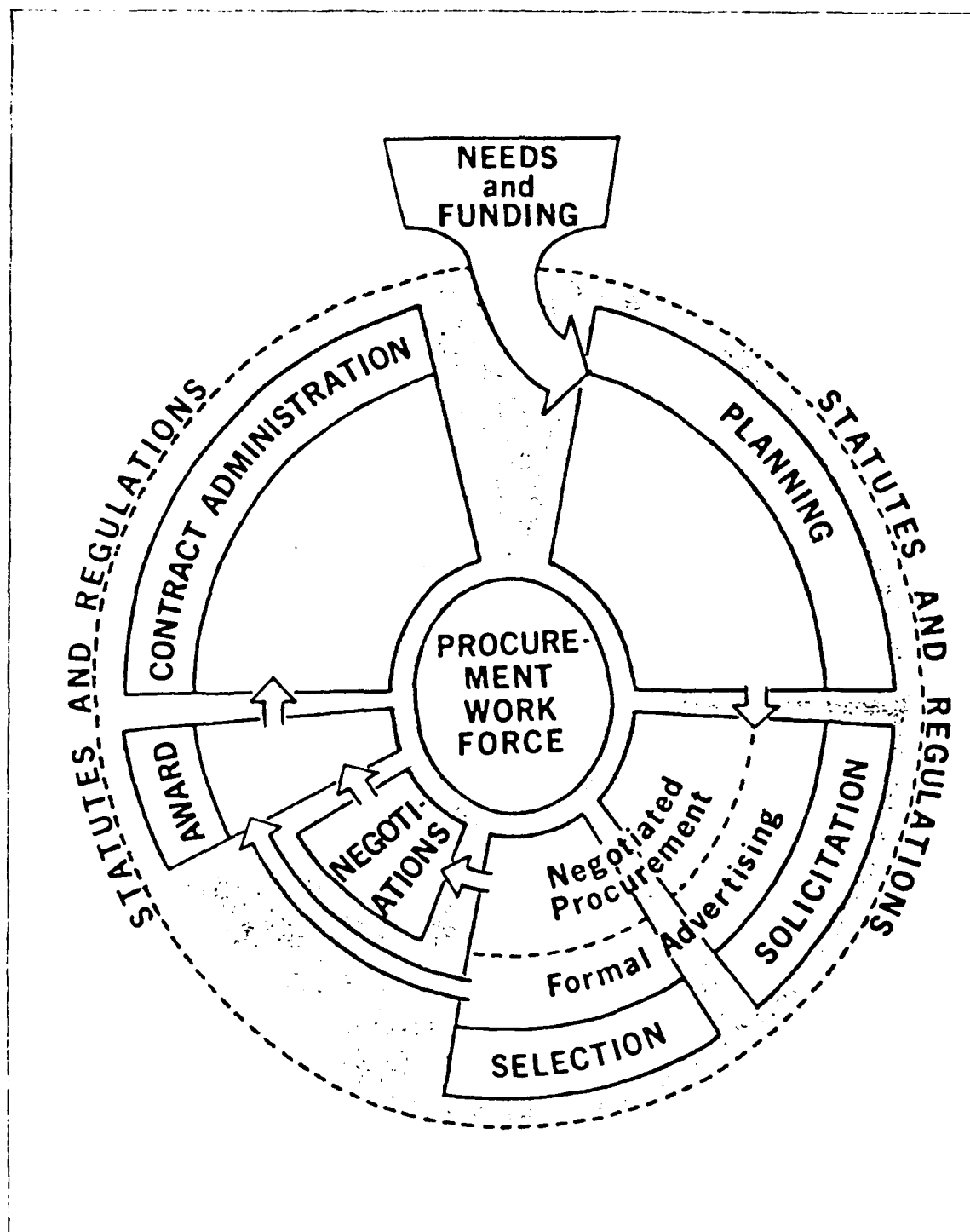


Figure 1 The Procurement Process Model (4:1-6)

of the execution phase when the "negotiated procurement" instrument of contracting is used. The text's authors expand on the planning and execution phases' importance:

The importance of the proper development and execution of procurement strategy cannot be overemphasized. It is the key to creation of a sound and manageable business relationship. It leads to the joining (for a particular undertaking) of independent entities with divergent as well as coincident interest. Its product, the contract, is always important to the undertaking, but its criticality to the organization varies with the magnitude of resources involved and with the length of the resultant business relationship (4:14).

F. Contract Administration. This phase of the model "represents the time frame within which outcomes are reached and the success of the strategy is discerned" (4:140). For a major weapon system acquisition contract this phase may cover several years and be worth several billions of dollars.

Two methodologies--Instructional System Development and "The Procurement Process" model--are used in the remainder of the needs assessment. The ISD process is the basis for determining the knowledge, skills, and attitudes needed by AFSC people who work with Award Fee contracts while "The Procurement Process" model supports the ISD analysis. With these two methodologies, the needs assessment can be completed.

INSTRUCTIONAL SYSTEM DEVELOPMENT DOCUMENTATION

This part completes the first research objective's needs assessment by answering the question "... what should be included [in an Award Fee handbook]." This part also documents the analysis of Award Fee contracting conducted by the authors in accordance with AF Manual 50-2 and AF Regulation 50-8. These references are used throughout this part of Chapter One (31:--; 32:--).

Analyze System Requirements (Step 1)

This step's purpose is to determine what knowledge, skills, and attitudes people need to plan and to operate an Award Fee contract (e.g., the Job Performance Requirements (JPRs). Using "The Procurement Process" model as our organizational scheme and as our check for completeness, the authors identified the following Job Performance Requirements (JPRs) are needed in each phase of the procurement process model.

Statutes and Regulations. No JPRs identified.

Procurement Workforce. No JPRs identified.

Needs and Funding. No JPRs identified.

Planning (PL). There are two Award Fee Contract (AFC) JPRs in this phase. The program office must do the following tasks:

PL1. Identify AFC Situations.

PL2. Identify advantages and disadvantages.

Execution (EX). This phase includes the following parts of the Procurement Process model--solicitation, selection, negotiations, and award. There are five JPRs in the execution phase. Given the decision to use an Award Fee contract, the program office must do the following tasks:

EX1. Identify the requirement for AFC clauses in the solicitations to prospective bidders and the contract.

EX2. Locate AFC clauses.

EX3. Modify AFC clauses in solicitation to prospective bidders and contracts.

EX4. Prepare an Award Fee Plan.

EX5. Identify the requirement to and reserve program funds for the Award Fee pool.

Contract Administration (CA). There are five JPRs in this phase. Given an executed contract with appropriate provisions and Award Fee Plan, the program office must do the following tasks:

CA1. Develop, implement, and operate a contractor performance monitoring and feedback program.

CA2. Fee Determination Process.

CA3. Award Fee Funding.

CA4. Award Fee Plan Modifications.

CA5. Identify components of a contractor feedback system.

Determine Educational/Training Requirements (Step 2)

Determining education and training requirements is the second ISD step and is accomplished via the following three step process:

A. Determine what the student population knows before any additional training.

B. Determine which JPRs require training by subtracting the JPRs known by the students from the universal list of required tasks identified in step one above.

C. Prioritize the required JPR tasks (32:1-2 - 1-3).

Determine Existing Knowledge. The following two points are related to this sub-step:

A. The target population was identified and narrowed by Limitation 3 above. To review, it consists of "journeymen" in Air Force Specialty Codes (AFSCs) 65XX (the Contracting Officer) and 26XX/27XX/28XX (the Project Officer). These officers have completed an introductory training course and will have at least six months of work experience. In reviewing the training course, the authors used their own experience as students (we completed this training) and reviewed training course objectives to determine resultant knowledge. In considering the six months work experience, the authors discounted students gaining significant and universal knowledge for the following reasons:

1. There was no formal On-the-Job Training (OJT) program for these career areas.

2. Award Fee related work experience was program office unique. In six months, some students would be Award Fee "veterans" while other students would have no further contact with Award Fee contracts.

B. The program office relationship of the contracting officer (AFSC 65XX) and the project officer (AFSCs 26XX/27XX/28XX) is such that both parties must have some independent knowledge of each JPR. However, the actual "doing" of a JPR task is usually delegated to one or the other. For example, the contracting officer prepares all contract modifications (the doing task), but the project officer normally provides information to and reviews the draft modification as the representative of the program office or program control division (knowledge required). In our analysis, both the contracting officer and project officer must have knowledge of a JPR task to delete that task from training consideration.

JPR Review. The analysis of the existing knowledge of the two student populations was accomplished by the authors. Both authors are subject matter experts based on being fully qualified in the 65XX and 27XX AFSCs. Analysis of the two student populations indicated existing knowledge (indicated by an "X" in the AFSC column) as depicted in Table 1.

Determine Training Requirements. Based on the JPR list from step one and the target population's ability, training is required on all JPRs.

Prioritization. The authors prioritized the JPRs in Table 2. Each JPR was categorized as being of (H)igh, (M)edium, or (L)ow priority based on the following decision rules:

A. High.

1. The JPR was required for the government to fulfill their contractual responsibility.

2. Neither contracting officer nor project officer had any knowledge; only one of the parties had limited, non Award Fee specific knowledge of the task.

B. Medium.

1. The JPR was required for the government to fulfill their contractual responsibility.

2. Only one of the parties has knowledge of the JPR.

C. Low. The JPR was not required for the government to fulfill its contractual responsibility.

Develop Objectives and Tests (Step 3)

The purpose of ISD's Step 3 is to answer the following questions:

A. "What can our students do after reading the handbook that they couldn't when they started?"

B. "How will we know?"

Answering these two questions require the following steps:

A. Determining the "level of learning" for each JPR task.

B. Listing those samples of behavior which indicate that the reader has reached the desired "level of learning".

C. Preparing criterion objectives which essentially describe what the student will be able to do after reading the handbook. In all cases, the criterion objective is written as if the workbook reader would be administered a test.

D. Objective tests present the test question which would be used to determine if the reader had achieved the criterion objective. (30:5-1 - 5-3)

In this research project, ISD's Step 3 analysis is used to determine the content of the handbook; however, there will be no attempt to test the reader's comprehension. The authors did include all of Step 3's data to facilitate future curriculum developer's efforts to prepare an Award Fee training program. The complete analysis is included at Appendix B.

Plan, Develop, and Validate Instruction (Step 4) and Conduct and Evaluate Instruction (Step 5)

At ISD step 4, the authors prepared the handbook at Appendix A. The JPR vs Handbook Chapter coverage is included in Appendix B. The remainder of step 4 will be conducted under the direction of HQ AFSC/FEM when the draft handbook is distributed to the product divisions and organizations for comment and discussion. Finally, step 5 will not be formally evaluated by the authors. The increased standardization and improved performance of Award Fee contracting within AFSC will be the true evaluation of this handbook.

JPR TAGI CODE	AFSC 65XX	AFSC 26/27/28XX
=====		
Planning Tasks		
PL1		X
PL2		
Execution Tasks		
EX1	X	
EX2	X	
EX3	X	
EX4	X*	
EX5	X*	
Contract Administration Tasks		
CA1		
CA2		
CA3	X*	
CA4	X*	
CA5		
* Indicates knowledge of the general subject matter without specific Award Fee ability--Award Fee training still required.		

Table 1. Existing Knowledge

JPR TASK CODE	PRIORITY
=====	
Planning Tasks	
FL1	M
FL2	M
Execution Tasks	
EX1	M
EX2	M
EX3	M
EX4	H
EX5	H
Contract Administration Tasks	
CA1	H
CA2	H
CA3	H
CA4	H
CA5	L
KEY: H--High Priority M--Medium Priority L--Low Priority	

Table 2. JPR Prioritization

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APPENDIX A

AWARD FEE HANDBOOK

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Chapter One

INTRODUCTION TO AWARD FEE CONTRACTING

1-1 Introduction

Welcome to the world of Award Fee contracting. Whether you are using this guide as a first time user of Award Fee or as a veteran Award Fee user, we are sure it will be helpful. The information contained in this guide is primarily ideas and opinions of two individuals with extensive Award Fee experience. However, this is not the only source. We of course reviewed FAR, DOD FAR Sup, and AFSC FAR Sup to insure that everything we have included is in compliance. Additionally, we gathered information from each of the organizations within Systems Command and, yes, we even let headquarters give us a few suggestions. Finally, each organization had an opportunity to review this and provide recommendations before publication. As a result, we feel this is a collection of all the best ideas on Award Fee contracting.

We present these ideas with the assumption that you are at least somewhat familiar with the FAR, DOD FAR Sup, and AFSC FAR Sup guidance on Award Fee contracts. The AF FAR Sup does not contain any specific guidance on Award Fee contracting. Whether you are a contracts individual or a project officer you should take time now to review the guidance in the FAR and FAR Sup. Many parts of these of course affect your contract actions. However, Part 16 of each of these provides specific guidance on Award Fee contracting. The FAR and DOD FAR Sup paragraph 16.404-2 covers only cost-plus-award-fee contracts. However, as we will discuss later, this guidance will help you in any contractual arrangement that includes Award Fee. The AFSC FAR 16.404 provides additional guidance for fixed-price-incentive/award-fee contracts.

This guide is not a substitute for FAR and FAR Sup guidance, but will enhance and amplify the information from these. Nor do we intend for it to dilute the program manager's authority to manage his program as he sees fit. Therefore, keep in mind that each program is unique, and how you specifically apply the guidance contained here is up to you. You must tailor your Award Fee Program to your specific needs and in so doing remember that:

a. Nothing makes administering an Award Fee contract easy, it takes work to get usable data.

b. If your performance monitoring and feedback program becomes a pencil-pushing exercise, rather than a source of valuable information, you are doing something wrong.

c. The goal of an Award Fee program is to help achieve your acquisition objectives. It is not to have a great Award Fee program. Don't use the suggestions in this guide unless they benefit your program.

1-2 Outline of Handbook

We divided this handbook into five chapters. This chapter provides the introduction and each of the remaining four cover a different portion of the Award Fee program. For the most part these chapters provide a step by step approach to an Award Fee program. Chapter 2 will cover the first step--preparing and modifying the Award Fee Plan. Chapter 3 will cover the next step--basically putting the Award Fee on contract. Chapter 4 will then cover step three in an Award Fee program--establishing a feedback program. Chapter 5 is the final chapter and covers the last step--fee determination and award.

Even though we have set this handbook up this way you should keep one thing in mind: Information given in one chapter may be applicable to other chapters. No, we have not done this to confuse you. It is simply because certain topics are applicable to more than one step. For example, since we focus on the Award Fee Plan in chapter two, we also include modifying the plan. We did this even though modifying it will not concern you until step three or four.

1-3 Purpose of Chapter One

Chapter one helps you in the following areas:

a. Know the definitions and acronyms associated with Award Fee.

b. Comprehend when an Award Fee contract is the most suitable.

c. Comprehend the advantages and disadvantages of an award fee contract.

1-4 Definitions and Acronyms

There are not many terms unique to Award Fee. However, we will start with a few explanations to help your understanding in the rest of the guide.

a. Performance Evaluation Period (PEP). The period of time during which the government evaluates the contractor's performance to determine the amount of fee to award.

b. Award Fee Pool. The total amount of fee available throughout the life of the contract for award to the contractor. Initially based on a percentage of the estimated contract cost, however, the contract will reflect it as a dollar amount.

c. Fee Determining Official (FDO). The individual responsible for deciding the amount the government awards the contractor during the period.

d. Award Review Board (ARB). A group of government individuals from key organizations associated with the contract under evaluation. Their primary task is to review the contractor's performance during the period and provide recommendations to the FDO.

e. Base Fee. The minimum fee in a straight Award Fee contract that a contractor could earn.

f. Performance Evaluation Areas (PEA)/Items. The contractor activities or products monitored and evaluated as the result of the Award Fee Plan. "Areas" refer to generic contractor activities (e.g., Configuration Management, Quality Assurance, etc.) and are further described by "Items" in each Area.

g. Evaluation Criteria. The standard against which the government will evaluate the contractor's performance in the performance areas/items.

1-5 Use of Award Fee

You can use Award Fee for any acquisition and with all types of contractual arrangements. However, given its administrative effort you should not use it when another contractual arrangement will meet the acquisition objectives. This section will present some guidance on when Award Fee is suitable and how it interacts with other contractual arrangements.

a. Suitability. As we stated earlier, you can use Award Fee for any acquisition. You can use it when contracting for services, research and development, and, while not commonly done, production. However, FAR 16.404-2 provides some application guidelines to consider when determining if Award Fee is suitable for your program. As we stated in paragraph 1-1 this specific section is for cost-plus-award-fee contracts but, you can apply the concepts to all Award Fee arrangements. According to this section, an Award Fee contract is suitable under the following conditions:

(1) You cannot establish measurements for the effort, or portions of the effort, you are contracting for. Subjective evaluation is the only way to determine the contractor performance on this effort. For example, finding the ideal balance between weapon system performance and life cycle cost is subjective. Conversely, having a system achieve a specific pre-established criteria, such as mean time between failures, is objective.

(2) Exceptional contractor performance will enhance meeting the program objectives.

(3) The government desires the flexibility to evaluate both actual performance and the conditions under which it is accomplished. An example would be rating the contractor based on his effort because of the constraints he operated under, rather than simply rating his degree of success.

(4) The final point on suitability concerns the additional administrative effort and costs. You should be sure that the benefits of Award Fee justify these additional administrative efforts and costs (35:16-10).

b. Contract Type. You can use Award Fee with both cost-plus and fixed price contracts. Additionally, you can combine it with fixed fee and incentive fee provisions. A Cost-Plus-Award-Fee (CPAF) contract would normally meet the requirements of FAR 16.301-3 and the considerations identified above. You would use a contract that combines fee arrangement such as a Fixed-Price-Incentive/Award Fee (FPIF/AF) provision when the program has some easily identifiable objective performance factors, as well as, contain some elements that require subjective evaluation. DOD FAR Sup 16.404-2 (70) provides a little guidance on combining Award Fee with other arrangement. More importantly this section is your authorization for combining fees (34:16.4-5 - 16.4-6). Keep one thing in mind here--the basic decision on contract type is no different from any other contractual action. You must base your decision to use either a cost-plus or a fixed-price contract on the criteria established in FAR and its sups. Additionally, when combining the Award Fee with another fee structure in a cost-plus contract you need to remember that the combined fee earned by the contractor cannot exceed the statutory limit as identified in FAR 15.903(d)(1) (35:16-10).

1-6 Potential Advantages and Disadvantages

We have already referred to some of the potential advantages and disadvantages of using Award Fee. However, we feel they are worth highlighting to give you a complete understanding of the complexity of Award Fee.

a. The greatest potential advantage comes from the Award Fee incentivizing the contractor to excellent performance. With Award Fee you can accomplish this even when you are unable to establish a definitive objective evaluation criteria.

b. An additional advantage is that Award Fee leads to greater involvement by both government and contractor personnel at all levels. Since the contractor earns Award Fee on merit, the program will get high level management attention on the contractor's side. Additionally, since evaluated items are important to the success or failure of the program, senior government individuals will be involved. Finally, individuals at lower levels will maintain a high level of interest. This is because they can see they have a definite impact on the performance of the contractor and the amount of fee awarded.

c. However, both of these advantages lead to the biggest disadvantage. That is, the additional manpower cost needed to administer the Award Fee. The documentation of the contractor's performance, needed to provide the ARB an accurate picture requires an extensive amount of time. Additionally, the organization will spend many man-hours on the ARB and FDO briefings.

Chapter Two

PREPARING AND MODIFYING AWARD FEE PLANS

2-1 Introduction

The writers of an Award Fee Plan need the following characteristics: a Master of Arts Degree in English Composition, four years of program office experience, and three to six months for their staff to leisurely research and write the plan. Returning to the real world, the writers are likely overworked Procuring Contracting Officers (PCOs) or project officers working on their first Award Fee Plan who receive their tasking just before the plan is due. This chapter will help you to prepare and modify one of the most important parts of an Award Fee contract.

2-2 Purpose of Chapter Two

Chapter Two helps you in the following areas:

a. Comprehend procedures for preparing an Award Fee Plan. The handbook first addresses the required sections of an Award Fee Plan. Next, the handbook provides more detailed information on three more difficult plan sections: Performance Evaluation Periods (PEPs), Performance Evaluation Areas (PEAs)/Items, and Evaluation Criteria. The handbook includes a sample Award Fee Plan (see Attachment 1) which helps with format, standard verbiage, etc., and lets you concentrate on program-unique tailoring.

b. Comprehend procedures to identify the requirement for and to execute Award Fee Plan modifications. The handbook identifies events which may require a modification and provides a checklist for preparing and coordinating a modification.

2-3 Award Fee Plan Required Contents

AFRC Federal Acquisition Regulation (FAR) Supplement states required Award Fee Plan contents:

(1) The Award Fee plan will, as a minimum, cover the following:

(A) Identification of the FDO.

(B) Identification of the Award Review Board members and the area of their expertise.

(C) The evaluation criteria against which the contractor's performance will be measured. Criteria will include a definitive statement for each level of performance being used and identification of the range of scores assigned to each level of performance.

(D) The evaluation period and the respective amounts of fee available for award.

(E) The use of interim evaluations to assist in guiding the contractor's in-period effort.

(F) The general procedures the Board will follow (including use of interim evaluation results) to assess the contractor's performance and arrive at a recommendation of the amount of fee to be awarded.

(G) Identification of the data to be used in the evaluation (for example, specific Contract Data Requirement List (CDRL) items).

(H) Planned weighting factors for the initial Award Fee period.

(I) When a Cost-Plus-Incentive-Fee (CPIC) contract is used with Award Fee provisions, the projected target fee percentage and minimum fee and maximum fee percentages available under the cost incentive must be identified in the plan (15:117-118).

This guidance leaves you plenty of room to tailor the Award Fee Plan to support your program. Based on our review of several Award Fee Plans and experience, we recommend that your plan use the following format:

- a. Introduction. Take care of general procedures such as
 - (1) the plan's purpose,
 - (2) the effort and data subject to evaluation, and
 - (3) the FDO's fee determination authority being independent of the "Disputes" clause.

- b. FDO and ARB Members. Identify the FDO by position title. Identify the Award Review Board (ARB) Chairperson, FCO, Secretary (Recorder), and the rest of the voting and nonvoting members. State each member's area of expertise. Here are some additional suggestions:

(1) Because the ARB membership frequently changes, make the list an annex to the plan, to make updates easy.

(2) State the ARB Chairperson may allow member designees.

(3) Identify the Recorder as a non-voting member.

(4) State which members must be present for an ARB meeting. This is normally the Chairperson and FCO. State how many ARB members must be present for a meeting quorum or leave that decision to the Chairperson.

c. Performance Evaluation Periods and Fee Allocation. Identify each PEP's milestones or dates and available fee pool (See Attachment 2). During contract negotiation, state the amount of fee pool in each PEP as a percent of the total Award Fee pool. After negotiations determine the pool's size, then insert the dollar amounts. Also, do a cross check between the contract's SCHEDULE "B" Available Award Fee and the Award Fee Plan. Before the first period's fee determination, the sum of the period pools will equal SCHEDULE "B's" Award Fee Available. After the first fee determination, SCHEDULE "B's" Award Fee Available figure is the sum of the Award Fee Earned and Award Fee Available for the remaining periods.

d. Performance Evaluation Areas/Items. State which areas/items of contractor performance are subject to evaluation and the weighting factor for each FEA (See Attachment 3).

e. Evaluation Criteria. State the Evaluation Criteria that the government will use in their evaluation. For each level of performance, state the adjective rating, a description statement (word picture) of performance, and the range of scores (See Attachment 3).

f. Performance Evaluation and Fee Determination Procedures. Summarize the contractor performance monitoring and feedback, and the fee determination and award procedures (See Chapters Four and Five). Address informal and written feedback, interim evaluation, FDO evaluation and end of period evaluation. Finally, identify evaluated effort and data items if a general statement in the "Purpose" paragraph was not used.

g. Fee Summary. State how the government will compute earned Award Fee. If your contract mixes incentive and award fees, the projected target fee percentage and minimum fee and maximum fee percentages available under the cost incentive must be identified in the plan."

h. Award Fee Plan Modifications. State the rules covering Award Fee Plan modifications. Identify items which are always unilateral government changes regardless of time in FEP. Identify how the contractor gets notice of changes. Must the change get distributed before the FEP starts, or will a PCO letter serving notice of intent satisfy? Finally, if the plan is not an attachment to the contract, state how modifications will be controlled and approved.

i. Early Termination. If terminated early, establish the procedure to determine Award Fee.

j. Award Fee Integrity. State how the government makes the Award Fee process as fair and objective (15:117-118; 17:Atch 1; 24:Atch 4; 27: Atch 1).

2-4 Award Fee Plan Modifications

Don't be surprised or discouraged if the day after you distribute your Award Fee Plan someone comes into your office with a change to the contract or program which requires you to change your Award Fee Plan. Change is necessary to make the Award Fee Plan support your dynamic program. This section of the handbook helps you to identify the requirement for and to execute Award Fee Plan modifications.

a. When Modifications Are Necessary. There is no definitive list of events or actions which require modification to your Award Fee Plan. Use common sense, program knowledge, and a few suggestions from this handbook to identify situations requiring Award Fee Plan modifications.

Here are two notes to consider on all modifications:

(1) Springing a modification on the contractor without notice or being given a chance to comment shows bad faith and a lack of professional courtesy. Even if it is a unilateral modification, let the contractor know the government is working on a change. The contractor's management will appreciate even a simple comment by the Program Manager or PCO. Ask the contractor to review and comment on the proposed modification. His review provides a different view of the modification and may identify errors in the proposed modification.

(2) Most Award Fee Plans allow unilateral government modifications before the start of the FEP in which the change is effective. It pays to get modifications done early; unilateral modifications save a lot of time and trouble. The contract's Special Provisions provide definitive direction on modifications (15:Para 52.216-9001).

Here are events which may require modifying the Award Fee Plan.

(1) Before the Start of Each PEP. Before the start of each PEP, review the following items for change:

(a) Performance Evaluation Areas/Items. As your program proceeds, the areas requiring exceptional contractor performance change. Add, delete, and change PEA/Items and their relative weights to get the most motivational "bang for the buck." For example, early in an acquisition, contractor technical representative support to the user may not be as important as design engineering. However, as production units "hit the ramp," the technical representative function grows in importance. Your ability to motivate a contractor greatly depends on the PEA/Items and their weighting, so keep the areas of contractor performance most important to your program in your Award Fee Plan.

(b) ARB Membership. Again, as your program proceeds, the important government players change. Add, delete, or change ARB membership to reflect the needs of the program. For example, a program integration contractor generated facility information for the US Army Corps of Engineers (COE), who was building the facilities. The COE commander had an important input to the ARB early in the program. As the facilities were completed, the importance of the contractor's facility task and the COE commander's input decreased. In this situation, replace the COE with someone from facility operations, Test and Evaluation, etc. In trying to limit the ARB membership to a reasonable number, not every discipline can be a member of the ARB. Only the disciplines most important to the acquisition program now should be ARB members.

(c) Award Fee Pool Distribution. The initial distribution of Award Fee over the PEPs was based on the program schedule as understood at the start of the contract. Initial and current schedules will diverge over time. Compare the rationale used in distributing the initial pool over the remaining PEPs to the current situation. If schedule events have slipped, be sure that the pool dollars also slip. Do not let the contractor collect most of the pool while important program tasks remain. Keep enough pool dollars available to motivate the contractor late in the contract.

(d) Award Fee Period Milestones. Review future PEP milestones. New program schedule "show stoppers" will appear as the acquisition progresses. Consider changing PEP milestones to include these "show stoppers." Next, compute the likely period lengths based on current schedules and milestones. If ending a period depends on a radically changed milestone, consider changing the milestone or the remaining PEP structure.

(e) FDO/ARB/Program Manager Input. Other important input sources are the FDO, ARB members, and program manager. As a matter of course, remind these people that the end of the PEP is approaching and request their input. If you feel a change is necessary, include a draft of the proposed change with the memo and request comments.

(2) Command Guidance/Regulation Change. Be on the lookout for higher headquarters policy guidance, new regulations, statutes, etc. If available, review Inspector General evaluation reports for examples of well and badly managed Award Fee programs.

(3) Contract Changes. Added or deleted tasks change associated contract cost and fee. For low dollar value changes, changing the Award Fee pool is probably not worth the administrative effort, but large contract changes will likely include changed Award Fee dollars. Remember two points:

(a) Make the contract fee structure beneficial to the program office. If your contract has both Award Fee and non-Award Fee available, the contractor may propose putting a disproportionate share of new fee into one or the other type fee. If the contractor's past performance has earned him low Award Fee determinations, he/she may try to shift new fee dollars to non-Award Fee areas. This lessens the impact of his poor performance. Alternately, if the contractor's superior performance in the PEAs earned him high Award Fee determinations at the expense of cost control, he/she may seek a shift toward Award Fees. If the present contract fee structure provides the management control needed by the program manager, insist added fee continue in the same proportions as the original contract. Similarly, if dissatisfied with the contract fee structure, modify the fee structure via the contract changes. Remember that the amount and types of fee determine the motivation of (and signals sent to) the contractor; so you must make positive and knowledgeable decisions related to the contract's fee structure.

(b) Consider the total impact of the contract change on the Award Fee Plan, not just the added fee. Consider if the changed task requires new or modified PEA/Items. Also, determine if the new effort results in changes to PEP milestones.

(4) Motivational Impact. Change the Award Fee Plan to keep pressure on the contractor by sending clear signals of what behavior(s) earn rewards. An example of a wrong signal being sent is a 100 percent Award Fee contract. It may incorrectly send a signal to the contractor that schedule and technical performance are paramount with no concern for cost control. When that perception is detected, addition of a cost control PEA/Item will help correct that misconception. An Award Fee Plan change

may also send a new signal to the contractor. A minor task on a large acquisition contract was the periodic maintenance of procured support equipment. It became apparent that the contractor's performance, while not negligent, was less than expected. A Performance Evaluation Item was added to include support equipment maintenance. Result--increased contractor emphasis on this task. Key point--make a conscious effort to send the correct signal to the contractor.

(5) Program Restructure. If your program is restructured, take the opportunity to determine if Award Fee was a positive or negative influence on the contractor's performance. If the latter, consider changing the Award Fee Plan.

b. Execute Plan Modifications. Once you have determined the need to modify the Award Fee Plan, preparing the change and getting coordinations and signatures becomes the time consuming but necessary, task. Think about the points in this modified "Coordinator's Checklist" originally found in Air Force Pamphlet 13-2 (better known as The Tongue and Quill):

- 0 Save time and coordinate with your PCO and/or program office project officer before writing the change. Get format and content suggestions. Also, determine if there are any undistributed modifications which impact your change.
- 0 Consider replacing entire pages (old page out, new page in), vice pen-and-ink changes. Keep the plan neat looking and readable.
- 0 Before requesting formal coordination from others, have a united position in your own office.

-If your office manages other Award Fee Plans, let your co-workers review and comment on your change. They may want or need to change their plans also.

-Review the change with your supervisor. Get any guidance or intelligence on the people that you will be coordinating. Finally, get your supervisor's coordination.

- U Prepare yourself for likely questions.

-Why is the change needed? What is wrong with the status quo?

-Why this change is a sound position?

-Are all administrative procedures completed and

accurate?

-Is the change concise and clearly written?

-Does the coordination package contain all necessary information or does the reviewer have to find other documents to understand the change? Consider including the tasker (thing that caused you to do the change) and the current Award Fee Plan for reference.

-Would you sign the paper yourself if you were the official?

- 0 Determine who should coordinate and sign. Identify any required coordinations or signatures by reviewing the Award Fee Plan and unit regulations or operating instructions. Seek your supervisor's or other action officers' guidance. Review a recent change coordination copy for clues.
- 0 Consider shot-gunning copies of the change to all parties. Tell them that you will be contacting them and have sent this advance copy to assist in their review.
- 0 Map out your remaining coordinations and signatures. Using your knowledge of the personalities involved, consider starting with the person(s) who actually reads, researches, and comments. That person may generate salient comments that are worth changing the package before continuing.
- 0 Face-to-face coordination is best whenever time permits or when the subject is complex. If geographically separated, mail or fax a copy of the change to the person. Request their coordination via telephone with follow up written coordination.
- 0 Ask reviewers to call if they have questions or if they plan to nonconcur. When called, courteously answer their questions. If they plan to nonconcur, understand their concern, tactfully ease that fear, and, if possible, negotiate a mutually acceptable solution.
- 0 If you get a nonconcurrency, attach it to the package and submit a summary of the disputed issue to your supervisor. Consider asking your supervisor to intervene and to negotiate an acceptable compromise. Show future coordinators the nonconcurrency. Try to

avoid dumping the disagreement into the FDO's/commander's lap, resolve disagreements if at all possible.

- 0 If later coordinations result in significant changes, review the changes with the initial coordinators.
- 0 Don't trust your package to base distribution. Request that the coordinators call you after coordinating and hand-carry the package to the next office.
- 0 Keep track of where your package is and prod slow coordinators (33:190).

Once you receive all coordinations and signatures, give a camera-ready package to the PCO for transmitting to the contractor.

Be on the lookout for the requirement to change the Award Fee Plan. While it does cause work, a current Award Fee Plan helps the program office effectively manage the contractor and meet program objectives. Preparing and coordinating modifications is not the most exciting job that you will ever do; however, it is absolutely necessary.

Now that the original or modified Award Fee Plan is on contract, Award Fee contract administration begins. Chapters Four and Five discuss this topic.

Chapter Three

SOLICITATION AND CONTRACT

3-1 Introduction

Ok, so now you have started developing that important aspect of the Award Fee program - the plan. Everything's set, right? Wrong! Now you need to look at putting it on contract. While this is primarily a PCO function, it also involves the project officer who also needs to understand the process.

3-2 Purpose of Chapter Three

Chapter Three covers the requirements to contractually implement an Award Fee program. It will help you in the following areas:

- a. Determine total Award Fee pool.
- b. Comprehend the procedure to select or develop the correct solicitation and contract provisions.
- c. Comprehend the requirement to reserve the appropriate amount of program funds to cover the Award Fee pool.

3-3 Determining Award Fee Pool

Many aspects impact the initial determination of the award fee amount. However, they are not really any different than determining the appropriate fee for any acquisition. The extent of competition as well as the type of effort and fee structure will affect the determination of the fee pool.

- a. As with most competitive acquisitions you will probably allow the competition to determine the fee amount. However, keep in mind there is a statutory limitation on the maximum fee you can award on cost-plus contracts. Additionally, AFSC FAR Sup states that the base fee on Award Fee contracts will be zero (15:116).

- b. If the acquisition is sole source, the fee pool will of course be subject to negotiations. In establishing your objective you should use the same procedure you would on any acquisition. That is to consider the type of effort required and the

amount of risk the contractor bears. Here also, you should keep in mind the restriction identified above. Additionally, DOD FAR Sup states you should not use weighted guidelines for determining either the base or maximum Award Fee (34:16.4-4).

c. Both of the situations identified above will still be issues in acquisitions that use a combined fee approach. However, this approach does increase the complexity of determining the award fee pool. Using a combined approach indicates the government wants to incentivize those areas contained in the Award Fee Plan and areas that can be more objectively evaluated or determined. First let's look at combining an Award Fee with a performance incentive. The simplest way is to identify the effort directly affecting the performance. Then determine the ratio of this effort to the remaining effort. This will establish your performance Incentive Fee to Award Fee ratio. For example, if you are contracting for an engineering services contract, a report may be one of the contract products. Another portion could be providing technical advice. If the contractor's providing reports, on a certain schedule, takes 60 percent of the total contract effort, then divide the fee accordingly. Sixty percent of the total fee is in the performance incentive and forty percent is in Award Fee. However, you may not always find it so simple. What if the technical advice is much more important to the program than the reports? Now, it becomes more complex. There is no simple way of determining the mix in these situations. The mix you establish needs to communicate to the contractor, that the advice is the most important. However, you must also be careful to not dilute the importance of the reports.

When combining Award Fee with cost incentive you will find the same complexity. You should first see if you can identify the effort in which you feel the contractor has the greatest control over costs. Then your ratio of incentive to Award Fee would reflect this. However, as with performance incentive, the ratio really needs to reflect the balance of cost to performance the government wants. Again, there is no magical formula and quite often the program manager will simply dictate the mix he wants.

3-4 Solicitation and Contract Provisions

After you determine how to establish the Award Fee pool, you need to notify the contractor(s). Additionally, you will need to include Award Fee provisions and restrictions in the contract.

a. When you develop your solicitation there are only three areas the Award Fee affects.

(1) The first is the executive summary letter to the potential contractor(s). In this you should notify the contrac-

tor(s) of the intent to use an Award Fee. Additionally, you should inform the contractor of how he should propose the Award Fee. If you choose to combine fee, inform the contractor of the government's desired ratio in this letter.

(2) The second is simply an inclusion of a line titled "Award Fee Earned To Date" in Part I Section B (35:14-2). This will account for the amount Award Fee the contractor earns during the life of the contract.

(3) The third area is the inclusion of a clause in Part II, Section I (35:14-2). AFSC FAR Sup includes clause 52.216 9001 for use in CPIF/AF contracts. While the FAR Sup intends this clause for use with CPIF/AF, you can modify it for use in other types of arrangements (15:119). In modifying this clause, some of the provisions are key to the Award Fee process. You should include these in any modification.

(a) First any modification should include a space for the total Award Fee pool. This is the only place the contract identifies this amount.

(b) Secondly, this clause needs to recognize the Award Fee Plan. This clause is makes the Award Fee Plan contractually binding.

(c) Next the clause should include the procedures for evaluating the contractors performance using the plan.

(d) The fourth point also deals with the plan--how to modify it. We covered the actual modification of the plan in greater detail in chapter 2. What is important here is the ability to unilaterally modify the plan. This is key to being able to focus the contractor on what the government feels is important. As we stated in chapter 2, in a dynamic program, what is important may change from time to time. The Award Fee clause needs to establish the right to adjust to these changes. However, the clause should also include some restrictions on unilateral actions to protect the contractor's rights. For example, the unilateral changes may only apply to future periods.

(e) The final point is an absolute must in any Award Fee contract. This is the restriction to prevent the contractor from disputing FDO's decision. Including the statement relating to the disputes clause as in the AFSC FAR Sup clause will accomplish this.

As you can see the specific wording of the clause can vary depending on your specific acquisition. However, there are some key points you should consider when tailoring the clause.

3-5 Commitment of Funds

This subject is not very complex or difficult to accomplish. However, improper treatment could put the contracting officer in the position of violating Federal Law, Air Force Regulation, and AFSC FAR Sup. The Anti-deficiency Act, AFR 170-13 and AFSC FAR Sup 16.404-2(90)(1) each address commitment of funds for government liabilities. When you award a contract with an award fee provision you make a promise to the contractor. If he performs to the highest standards established in the plan, he/she will receive the total Award Fee. This promise is a liability to the government. However, since it is contingent on his performance and the government's subjective evaluation, it is a contingent liability.

The references cited above require you to commit funds to cover all liabilities, including contingent liabilities. The requirements vary in how much of the potential liability you must commit. AFR 170-13 allows you to estimate how much of the liability you will really need and only commit this amount (28:7). Currently, however, AFSC FAR Sup requires that you commit the total period's Award Fee (15:116). So, when you award the contract, you should commit the Award Fee for the initial period. Additionally, at the beginning of each subsequent period you should commit the funds to cover the pool for those periods. The primary reason for requiring the commitment of the total amount is two-fold. First, it will usually be difficult to accurately predict the contractor's performance at the beginning of any single period. If you greatly underestimated his performance, you may be short of funds. Secondly, even with an accurate estimate, you could give the appearance of biasing the subjective evaluation.

Chapter Four

FEEDBACK PROGRAMS

4-1 Introduction

Is the time and effort needed to run an Award Fee program worth the effort? One of the best ways to make the answer a resounding "Yes!" is to build a comprehensive performance monitoring and feedback program. When teamed with a counterpart contractor feedback system, this off-shoot of Award Fee contract administration provides a powerful program management tool that helps you to achieve your program objectives.

4-2 Purpose of Chapter Four

Chapter Four helps you in the following areas:

- a. Comprehend how to develop, implement and operate an award fee contract contractor performance monitoring and feedback program.
- b. Comprehend the components of an internal contractor award fee monitoring and feedback system.

4-3 Performance Monitoring and Feedback Program

The basis of effective Award Fee administration (and an element of good program management) is an effective contractor performance monitoring and feedback program. The program not only helps in Award Fee determinations, but provides a medium to surface and resolve problems. This section helps you in four ways. First, you learn the characteristics of a feedback program. Second, you learn a feedback program's advantages and disadvantages. Third, you learn the duties and responsibilities of program participants. Finally, you learn about the operation of a feedback program.

a. Feedback Program Characteristics. Develop a performance monitoring and feedback program that has the following qualities:

- (1) Comprehensive. A program must be comprehensive in two ways. First, it monitors and reports on all areas of the contractor's efforts which are subject to an Award Fee determina-

tion. Second, get input from all members of the government team--from the newest second lieutenant to the program manager.

(2) Continuous. Monitoring is continuous and not a crash effort when the period ends. Also, the feedback between the government and contractor counterparts should take place daily. Formalize this feedback in periodic, written feedback inputs.

(3) Timely. Make the time between observation of contractor performance and feedback as short as possible. The sooner received, the sooner the contractor can begin corrective action and improve his/her performance.

(4) Constructive. Feedback's purpose is to improve contractor performance and to help achieve program acquisition objectives. Feedback is not a game of "gotcha" or a way "to get so-and-so in trouble."

(5) Good and Bad. While it is easy to criticize the failures of the contractor, pay just as much attention to reporting instances of superior contractor performance. Identify the contractor's superstars by name.

(6) Communicated. Performance information sitting on a government desk does no good, for only the contractor can take corrective action.

(7) Specific and Actionable. Broad statements of "glittering generalities" do no good. Be specific! Specifically identify the event observed (use dates, titles, names, etc.). State what happened and what satisfactory performance would be (26:Ch 3; 27:Ch 3; 36:--; 37:--).

b. Advantages and Disadvantages. There are a number of advantages and disadvantages associated with a formalized performance monitoring and feedback program. Work to accentuate the advantages and control the disadvantages.

(1) Advantages.

(a) identifies problems early enough to allow for corrective action,

(b) encourages government team members to monitor contractor performance and to submit feedback regularly,

(c) provides a forum for government and contractor counterparts to regularly discuss performance issues,

(d) forces a more formalized monitoring and feedback program than might otherwise exist, and

(e) provides the ARB and FDO with detailed performance data during the fee determination process (36:--; 37:--).

2) Disadvantages.

(a) takes a lot of government time and effort to prepare and process inputs.

(b) if poorly managed, it opens a channel for constructive changes (The contractor may begin to react to feedback inputs rather than the contract.),

(c) encourages over emphasis on the individual functional areas to the detriment of the program, and

(d) may make the contractor's mid-level managers so reactive to feedback inputs that feedback, not managerial decisions, determine contractor actions.

c. Duties and Responsibilities. All government team members have duties and responsibilities in the performance monitoring and feedback program.

(1) Monitors. All government team members are Award Fee Monitors. Team members include the program office staff, staff offices supporting the program office, and cognizant plant offices. The three key duties of the Monitor are to observe, to record, and to report contractor performance (26:Ch 3; 27:Ch 3).

(2) Division or Directorate Chiefs. The Monitors' supervisors regularly call for and collect feedback inputs. Having collected the feedback, the Division or Directorate staff should perform a quality check of the feedback before passing it on. Usually the Division or Directorate Chief appoints a subordinate as Division or Directorate Project Officer. He/she handles the administrative details of collecting and reviewing feedback inputs. Take care that the subordinate has the maturity and program experience to identify feedback items which are inappropriate or require the attention of the Chief.

(3) Award Fee Project Officer. This person is normally a member of the Program Office who is responsible for administering the day-to-day activities of the performance monitoring and feedback program. He/she is the program manager's OFR for Award Fee related tasks. He/she collects feedback from the Divisions and Directorates and prepares them for sending to the contractor (27:--).

(4) Contracting Officer. The Contracting Officer implements all contracting actions, and advises the Program Office on contractual interpretations.

d. Operations. An effectively operated performance monitoring and feedback program provides the program office with valuable by-products of an Award Fee contract.

Note: Remember the note at the start of the paragraph; tailor the program to your unique situation.

(1) The active participation of all members of the government team is a key to a successful performance monitoring and feedback program. That participation requires several things. First, program manager's and supervisors' continuous support and direction is vital. A successful program manager stated:

Award Fee, by design, is the major or sole source of fee for our . . . contractors. As a result, the government team . . . must effectively use Award Fee to obtain the desired performance from our contractors. Timely feedback to the contractors on their performance is the first step in the process (37:--).

Second, while writing feedback inputs may irritate some Monitors, they will become more willing participants when they see the impact of their efforts. Third, providing feedback must be an integral part of the government team member's job--something that helps get his/her job done. It is not just another additional duty. Finally, team members need training on the requirements of the contract and on using the feedback program.

(2) The Monitors are the basis of the entire monitoring and feedback program and start the process. They have the following jobs:

(a) Observe. Observe the daily performance of the contractor in fulfilling the provisions of the contract. Your Monitor need not be physically in the contractor's plant, since they still observe contractor performance daily--they read and analyze data items, use contractor developed drawings, attend tests and design reviews, review schedule status, etc. The performance measurement standard is the contract, not the Monitors' personal preference (this increases the importance of government team members understanding contract requirements).

(b) Record. Record his/her observations. He/she should use his/her engineer's notebook, slips of paper, calendar or anything that works. Stress writing observations down as soon as possible and not trusting one's memory.

(c) Report. This difficult job is necessary to make the program work (15:Ch 1; 37:--). Two separate reports are necessary.

(1) First, soon after observing the performance, provide both positive and negative feedback to the Monitors' contractor counterpart. The feedback should normally be verbal, informal, and a normal part of doing business. Make these discussions a positive channel of communications between the government and contractor. Do not avoid discussions because the counterpart may not like the message. If the Monitor faces a non-receptive counterpart ask the Monitor's supervisor or Contracting Officer to intervene with the contractor's management.

(2) The second report is a written input to the program office on a periodic basis (not more often than monthly). Clarity is vital. Remember the input's text will have to stand on its own, without clarifying comments from the Monitor (24:3; 37:--).

(3) There is one exception to providing feedback. Should you suspect illegal contractor activity, contact the program office and Contracting Officer immediately. They must get the Monitor's concern confirmed or allayed, and press on.

(3) The Division or Directorate Chiefs (and his/her Project Officer) have two tasks--one administrative and one conceptual.

(a) The administrative task includes the following steps. Request written inputs from the Monitors periodically (usually monthly). Review the inputs for completeness, grammar, and, in general, insure the inputs are ready for typing. Return or correct deficient feedback inputs.

(b) The conceptual task is more difficult, requires careful attention, and is critical. Your Monitors are responsible for and report on a narrow range of the contractor activities. You may find the Monitor expects the contractor (and the government) to concentrate more resources in his/her area at the expense of the rest of the program. The Monitors "fail to see the forest for the trees." The Chief or Project Officer must identify and/or modify feedback inputs that may help a tree at the expense of the forest. This review requires a person who understands the forest, so the Chief or a mature and experienced Project Officer should do this task (37:--).

(4) The Program Office's Award Fee Project Officer has the following tasks:

(a) Working with the Directorates and Divisions, he/she establishes the procedures and schedules to receive feedback inputs at the Directorates and Divisions.

(b) He/she reviews the feedback inputs.

(c) He/she supervises the administrative word processing task necessary to prepare the inputs for the contractor.

(d) He/she coordinates questionable inputs with the Contracting Officer.

(e) He/she transmits the typed feedback inputs to the contractor.

(f) He/she helps the contractor to clarify feedback inputs (37:--).

(5) The use of the feedback is, of course, the contractor's call. The contractor may review the inputs, determine an appropriate reaction, take corrective action, and provide feedback to the Monitor. Likewise, the contractor may decide to take no action.

4-4 Contractor Feedback System

This section of the chapter outlines a contractor feedback system which you might recommend to a contractor. Why is this important to you? Government feedback is useless unless the contractor acts on it. Program objectives suffer at both extremes of feedback use--the contractor completely ignoring feedback or the government managing the contractor's business. Between the extremes is an environment where the government observes, records and reports on contractor performance; and contractor management analyzes, determines action, and implements corrective action. As a government project officer or Contracting Officer, be able to suggest a method for the Contractor to deal with government feedback. Figure 2 represents the procedure used by a major aerospace contractor to respond to government inputs and consists of the following process:

a. Feedback. Customer (government) input enters flow chart from all of the sources discussed in this handbook--FDO letters, informal inputs, monthly feedback, etc.

b. Positive ? [Input]. This is a decision point. If the input was a complement, identify the person(s) responsible for that performance.

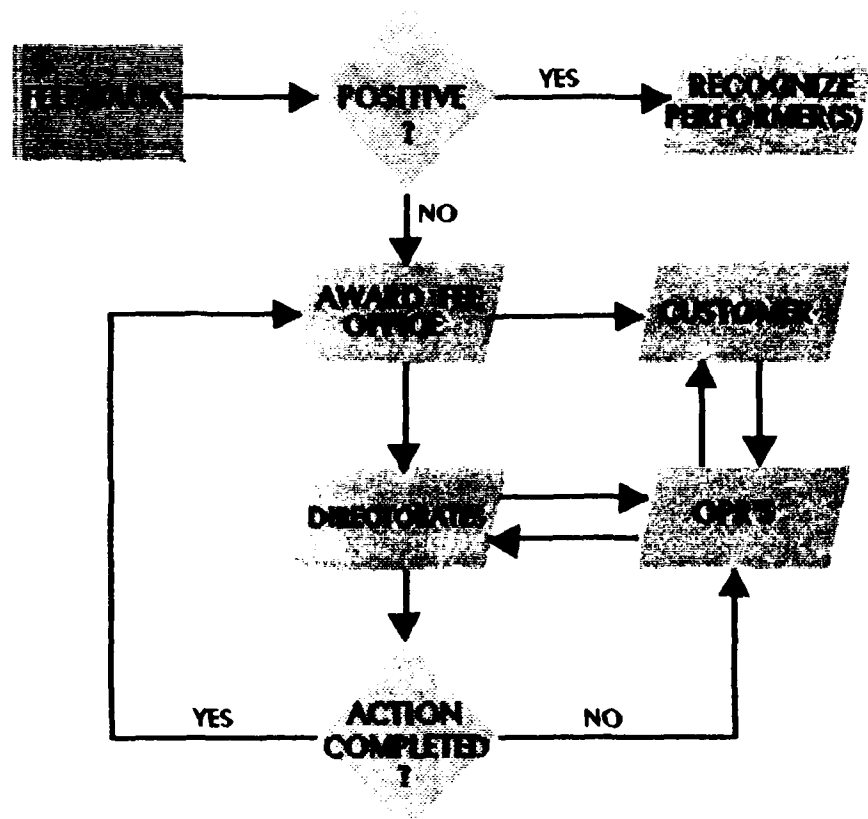


Figure 1. Customer Feedback Loop (from [1] and [2])

c. Recognize Performer(s). Let the performer know that the customer noticed and appreciated his/her achievements. Rewards are appropriate and might include a pat on the back from a high level manager, positive notation in the employee's work record, being recognized in the company newspaper, receiving a small gift such as a pen or lapel pin, etc.

d. [Not] Positive ? [Input]. This is the same decision point for a negative input. Negative inputs go to a company Award Fee Office. That office does two things with the new input. First, they assign an action item to the responsible directorate for analyzing, determining, and implementing corrective action (if appropriate). Second, the office enters the action item into a tracking data base.

e. Directorates. The company directorates assigns an office of primary responsibility (OPR); updates the tracking data base with the OPR's name and estimated closure date; and monitors or helps the OPR.

f. OPRs. A key to the OPR's actions is contact with the customer (government Monitor) who submitted the input to keep that person informed about the company's corrective action plan or decision to not address the input. The OPR has the following tasks:

(1) Validate--determine if the input is a true problem requiring continued analysis.

(2) Disposition--determine how to address validated problems.

(3) Correct--Take action to resolve the problem or recommend corrective action if the problem is beyond the OPR's control.

(4) Closeout--administratively close the action item.

(5) Inform Directorate--notify the tasker of resolution.

g. Action Complete? This is a decision point. If the action item is not satisfactorily completed, the Director or Award Fee Office returns the action item to the OPR or reassigns the action item. When satisfactorily completed, the action item returns to the Award Fee Office.

h. Award Fee Office. The Award Fee Office performs two tasks to close the action item. First, they contact the customer to determine if they were contacted by the OPR and understand the OPR's closure action. Second, they update the tracking data base.

The key to such a program is a company Award Fee Office with strong top management support. This office performs two duties for the company manager. First, the office monitors the closure of action items and regularly briefs local and higher managers on action item closure status. Directorate managers and OFAs with open action items receive assistance and motivation from the managers. Second, senior office personnel serve as an ombudsman between the government customer and contractor OPR. If the customer and OPR are unable to find a satisfactory resolution to an action item, the ombudsman enters discussions with his company's managers and with government Monitors, PCOs, program manager, etc. (36:--).

Two warnings about this section:

a. The contractor, not the government, decides how to use Award Fee inputs. The government team must not direct the contractor to carry out a specific method to address inputs. Your best tool is a positive environment between the government and contractor which encourages open discussion of problems and solutions.

b. The contractor performs to the requirements of the contract, not to the desires of government team members. Do not allow the Award Fee inputs to become a channel for constructive changes. In this instance, the PCO and program office must protect the contractor from the government. Likewise the contractor must feel comfortable in telling the government that a suggested action is not within the contract's price, terms, and conditions.

This process represents one way that a contractor may address the government's inputs in a positive, result-oriented way.

Chapter Five

FEE DETERMINATION, AWARD, AND FUNDING

5-1 Introduction

During the Award Fee period, the contractor fulfills his/her responsibilities to the government. During the fee determination and award, the government fulfills its responsibilities to the contractor. The government team needs to determine and pay the earned fee in a timely, professional, and businesslike manner.

5-2 Purpose of Chapter Five

Chapter Five helps you in the following areas:

- a. Comprehend the fee determination and award process.
- b. Comprehend the procedures necessary to fund the Award Fee determination.

5-3 Fee Determination and Award

This section addresses six fee determination and award process subjects: duties and responsibilities of government team members, time constraints on fee determination and payment, ARB preparations, ARB operation, preparations for the meeting with the FDO, and the post-FDO determination events and responsibilities of the ARB Chairperson and Recorder.

a. Duties and Responsibilities. All government team members have duties and responsibilities in determining and paying the fee.

(1) Monitors. Monitors have the following duties and responsibilities:

(a) During the Award Fee period, the Monitors should have provided informal feedback to their contractor counterparts and written feedback to their supervisors.

(b) Since the program office must collect, review and include the last of the Award Fee period's feedback inputs in the information presented to the ARB, the Monitors must support a fast turnaround on this set of inputs.

(c) The Division or Directorate Chiefs may ask for summary Monitor inputs for their upper management assessments or for ARB presentation (24:3; 26:Atch 1).

(2) Division or Directorate Chiefs. The chiefs' duties and responsibilities include

(a) providing summary performance evaluations for their acquisition discipline (e.g., Configuration Management, System Engineering, etc.),

(b) participating in the ARB and FDO meetings, and

(c) conducting post-fee determination feedback meetings with the Chief's contractor counterpart.

(3) Award Fee Project Officer. This officer's main task is to complete collecting, processing, and transmitting of all feedback inputs--close the books on the period. Also, this officer supports preparations for the ARB, as requested by the ARB Recorder (26:Atch 1).

(4) PCO. The PCO's duties and responsibilities include

(a) monitoring and insuring the fee determination process conforms with contract requirements,

(b) serving as an ARB Member,

(c) advising the Recorder, ARB and FDO on contractual issues, and

(d) preparing and executing the contract modification awarding the fee (27:8).

(5) ARB Recorder. The Recorder's (called the "secretary" in the AFSC FAR Supplement) duties and responsibilities include

(a) preparing the schedule of events needed to determine and pay the Award Fee,

(b) scheduling and making physical arrangements for the ARB and FDO meetings,

(c) preparing correspondence for the Chairperson, FDO, and PCO,

(d) preparing pre-meeting background information for the ARB Members.

(e) scheduling the contractor's Self-Assessment Briefing, if requested,

(f) preparing the meeting agenda,

(g) gathering and summarizing performance data,

(h) preparing meeting handouts and slides,

(i) presenting data to the meeting,

(j) preparing data for the FDO briefing,

(k) preparing and distributing the FDO's fee determination letter, and

(l) preparing a Memo for Record of the fee determination and award for program office files (17:4-5; 24:3; 26:Atch 1).

(6) ARB Members. The ARB Members' duties and responsibilities include

(a) preparing for the ARB meeting by reviewing contractor performance data and the contract's Award Fee procedures,

(b) participating in the ARB meeting and developing fee recommendations for the FDO, if the FDO requested, and

(c) supporting the ARB Chairperson in post-fee determination feedback meetings with the contractor, if requested by the Chairperson (17:5; 26:8).

(7) ARB Chairperson. The ARB Chairperson's duties and responsibilities include

(a) supervising ARB preparations (usually accomplished by the ARB Recorder),

(b) chairing the ARB meeting,

(c) briefing the FDO on ARB recommendations,

(d) directing implementation of the FDO's fee determination, and

(e) conducting post-fee determination feedback meetings with the contractor, if requested (17:4; 26:8).

(8) Fee Determining Official. The FDO's two tasks revolve around establishing and maintaining the ARB, and the fee determination process (15:116).

(a) The FDO establishes ARB membership and appoints its members. In connection with this task, the FDO may change the ARB's makeup during the life of the contract as the relative importance of the acquisition disciplines change. And he/she monitors the fee determination process and insures that the process is business-like, fair and objective.

(b) The FDO leads the fee determination process and makes the fee determination. He/she monitors the fee recommendation process and insures that the process is businesslike, fair, and objective. If requested by the FDO, the ARB will recommend an appropriate amount of Award Fee to the FDO. Note that the AFSC FAR Supplement gives the FDO the option of not requesting the ARB's recommendation, but we suggest the FDO consider the ARB recommendation as a decision input. The FDO may base his determination on the ARB recommendation, the ARB Chairperson's briefing, and any other pertinent information related to contractor performance (15:116; 34:116-117). Finally, the FDO provides performance feedback to the contractor's top management, if requested.

b. Time Constraints. AFSC's FAR Supplement imposes the following time constraints on the fee determination and award process:

(1) The FDO has thirty days from the end of the PEP until he/she determines the earned fee and notifies the contractor and PCO in writing.

(2) The PCO has thirty days from being notified of the fee determination to authorize payment of the fee awarded.

These time constraints require the government team to start preparing for the fee determination in advance of the end of the PEP (15:118-119; 17:5).

c. ARB Preparations. Careful preparations assure you of supporting the fee determination time constraints. This section suggests sources of information to be presented to the ARB and an ARB schedule of events.

(1) The sources of information the Chairperson elects to hear at the ARB determines the amount of preparation needed. In preparing for the ARB, the Chairperson and Recorder should consider presenting performance data from all or some of the following sources:

(a) Summaries of Monitor feedback such as comparisons of the number of positive and negative comments in each PEA, or issues which appeared throughout the period or from several Monitors.

(b) Top management inputs from the Division or Directorate Chiefs. The Chairperson elicits this broad and programmatic view of performance which the Monitors might miss.

(c) Outside agency inputs from government organizations coming into contact with the contractor. They may not be ARB Members nor have Monitors; however, their input may be valuable. A partial list of outside agencies to consider includes: Defense Contract Audit Agency, Defense Contract Administration Service, Host Base, government test ranges, etc. Your program will likely have its own unique list of outside agencies.

(d) Contractor's Self-Assessment (27:Atch 2).

(2) A sample schedule of events is at Attachment D.

d. ARB Operation. This section discusses the operation of the ARB meeting and includes suggestions for consideration by the Chairperson and Recorder.

(1) The following are outputs of the ARB meeting:

(a) A summary evaluation rating of the contractor's performance.

(b) A recommended list of contractor strengths and weaknesses, by evaluation area.

(c) Any recommended changes to areas of emphasis for the current period (17:2-3; 27:Ch 3).

(2) Before the ARB meeting begins do the following:

(a) As the Members arrive, take attendance. Coordinate any absences or alternate attendees with the Chairperson.

(b) Identify and clear non-members from the room unless cleared by the Chairperson. The ARB should be a closed meeting with limited attendance. If non-ARB members brief the meeting, consider having the briefers wait their turn in a ready room instead of sitting in the meeting room (17:4).

(3) The actual conduct of the meeting is the Chairperson's responsibility, and he/she should consider the following:

(a) Start the meeting by giving all of the Members a common frame of reference. Do they understand the Award Fee Plan, PEAs, Evaluation Criteria, command policies, the closed nature of the discussions, etc.?

(b) Give the Members as many and varied views of the contractor's performance as possible.

(c) Encourage input and freewheeling discussion from all Members but, keep the meeting moving toward producing the three meeting outputs discussed above.

(d) Explore and challenge reasons for unusually high or low evaluations.

(e) Consider completing work on each PEA before moving to the next area.

(f) Review and modify areas of emphasis for the current period.

(g) The final item on the agenda should be a reminder to be silent on the ARB results until the FDO releases his/her fee determination, and even then, do not release details of the proceedings. Ask all Members to leave any notes behind, thank them and close the meeting (17:2.8; 27:Ch 3, Atch 2).

(4) After the meeting collect all copies of briefing materials, handouts, and notes made during the meeting.

e. Preparation for and Conduct of FDO Meeting. This period covers the tasks from the close of the ARB until the FDO's fee determination.

(1) Immediately following the ARB meeting, the Chairperson should meet with the Recorder to determine the following:

(a) Compare and confirm that the three outputs of the ARB were achieved.

(b) Determine the format and content of the presentation to the FDO.

(c) Give the Recorder initial directions for a draft FDO fee determination letter.

(2) Before the FDO meeting, the Chairperson and Recorder should review the briefing material and draft FDO fee determination letter. Once the Chairperson is satisfied with the proposed draft FDO letter, the Recorder should obtain the coordination from the other ARB Members. If a Member nonconcurs with the letter's content and you are unable to resolve his/her con-

cern, ask that Member to note his nonconcurrence and continue to coordinate the letter. Inform the Chairperson of the nonconcurrence.

(3) During the meeting with the FDO, the Chairperson should review the ARB's recommendations, present any additional, pertinent information (e.g., information not presented at the ARB because of security "need to know" of some of the ARB Members), and the Chairperson's evaluation of the quality of the ARB's evaluation. Finally, the Chairperson should receive the FDO's fee determination and recommend that he sign the FDO fee determination letter. In many cases, the FDO may direct changes to the letter which should be immediately incorporated and returned for signature.

(4) Before releasing the fee determination, determine if the FDO has higher headquarters imposed reporting requirements. Be prepared to provide background information to the FDO, if requested (17:8-9; 27:8, Atch 2).

f. Post-FDO Determination Events and Responsibilities. The following should be performed after the FDO's fee determination:

(1) Present the FDO's letter to the contractor as soon as possible after release by the FDO. The FDO or program manager may wish to present the letter personally.

(2) Give the PCO a copy of the FDO's determination letter so that the PCO can prepare a funding modification and place the FDO letter into the official contract file.

(3) Prepare a Memo for Record which documents the ARB minutes and recommendation, and the FDO's determination. Maintain the Memo in the program office's files. Give a copy of the ARB minutes to the PCO for the official contract file.

(4) The program manager or Chairperson should offer to debrief the contractor on the ARB fee determination (17:8-9; 27: Atch 2).

5-4 FUNDING THE AWARD

Once the FDO determines the fee, the PCO prepares a funding modification to pay the contractor. This area of the chapter reminds you of three points to remember while obtaining funds for the funding modification.

a. Before the Period Started. Before the Award Fee Period started, you committed funds to pay for the expected fee determination. The expected Award Fee was a contingent liability as defined in ARB 170-13 (28:7). If the period extended into the

next fiscal year, consider a Planning FR or other device for the next fiscal year's funds which have not been appropriated (15:6-7).

b. Fee Payment. Having received the FDO's determination, the PCO will obligate program funds necessary to pay the award. The Air Force Weapons Laboratory provides the following guidance related to funding awards to its staff, and it is paraphrased here:

(1) After the FDO makes the Award Fee determination, the PCO has 30 days to obligate funds from the Award Fee reserve. Where the reserve contains prior year funds, those funds should be:

(a) used to pay the entire Award Fee for an Award Fee Period which was entirely within that fiscal year, or

(b) used first, until exhausted, to pay the fee for an Award Fee Period which began in the earlier fiscal year and extended into the current fiscal year.

Any prior year funds committed in the Award Fee reserve which are in excess of the award may be usable for other program requirements.

(2) Retain excess current year funds committed in the Award Fee reserve for future use (17:6-7).

c. Returning Excess Funds. Excess funds in the Award Fee reserve represents an unexpected funding resource to the program manager. Tell the program office's financial managers about these excess funds after releasing fee determination information. Key point--let the program office know there are excess funds available.

Attachment 1

SAMPLE AWARD FEE PLAN

Here is a sample Award Fee Plan for the XYZ Development Contract. It is a simple, generic Award Fee Plan. It is not the only official end-all AFSC Award Fee Plan. Use this sample as a starting point and build the unique plan that best suits your contract. Good Luck!

This attachment is taken from the referenced sources, compiled and edited by Majors Goetz and Jennings (18:---; 19:---; 20:Atch X.A; 24:Atch 4).

Brackets enclose editorial comments.

AWARD FEE PLAN
FOR THE
XYZ DEVELOPMENT CONTRACT

APPROVED:

DATE

FDO _____

COORDINATION:

ARB CHAIRPERSON _____

PK _____

JA _____

EN _____

RM _____

~[etc.]~

AC _____

PROJECT OFFICER _____

[insert table of contents here]

AWARD FEE EVALUATION PLAN

Contract: F04704-88-C-XXXX

1. INTRODUCTION.

a. This plan describes the criteria and procedures used to assess contractor performance and to determine the amount of Award Fee earned. Award Fee deals with those activities that are under the contractor's management control and do not lend themselves to objective evaluation. Precise definitions for all of the evaluation areas and items are impossible to enumerate. Therefore, the evaluations made, including the Award Fee recommendation and determination, are not necessarily limited to the plan's guidelines.

b. The Fee Determining Official (FDO) determines the amount of Award Fee granted. This fee determination is not subject to the Disputes Clause.

2. FEE DETERMINING OFFICIAL AND AWARD REVIEW BOARD MEMBERS.

a. The FDO is the XYZ Product Division Commander.

b. The Award Review Board (ARB) members are appointed by the FDO (see Annex 1). The XYZ Program Manager is the ARB Chairperson and shall appoint the ARB Recorder as a non-voting ARB member.

3. PERFORMANCE EVALUATION PROCEDURE.

The performance evaluation procedure consists of

a. continuous monitoring and evaluating by government evaluation monitors,

b. periodic, informal feedback on performance to the contractor,

c. an interim evaluation of contractor performance by the ARB approximately halfway through each Performance Evaluation Period (PEP),

d. the ARB's end-of-period review of evaluation monitor and other inputs, and their recommendation to the FDOs (see paragraph 4 .

e. an Award Fee determination by the FDO, and

f. feedback on performance to the contractor.

4. FEE DETERMINATION PROCEDURE.

The fee determination procedure consists of the following:

a. ARB meets and develops recommendations for the FDO. The ARB convenes at the time, date, and place set by the ARB Chairperson and considers information submitted from

(1) initial and summary evaluations from evaluation monitors,

(2) other government sources (e.g., Program Office/Staff Managers, Defense Contract Administration Services (DCAS), Army Corps of Engineers (COE), etc.),

(3) the ARB's midterm evaluation, and

(4) contractor submitted self-assessments. If the contractor wants to submit a self assessment, he/she shall notify the FDO and ARB Chairperson 30 days before the end of the FEP. Limit written self assessments to ten pages submitted within ten working days after the end of the FEP. The contractor may also present a briefing, not to exceed 30 minutes, to interested ARB members and evaluation monitors. The ARB Chairperson shall schedule the briefing at the convenience of the government before or during the ARB meeting. Contractor self assessments shall not be extravagant or costly, but shall concentrate on clearly presenting their performance assessment.

b. ARB Chairperson presents ARB recommendations and other performance data to the FDO.

c. FDO reviews ARB recommendations and other performance data and determines a fee.

d. FDO prepares, reviews, and approves the fee determination letter to contractor.

e. Procuring Contracting Officer (PCO) implements contract change to pay fee.

f. Government reviews contractor performance with the contractor.

5. PERFORMANCE EVALUATION AREAS/ITEMS AND EVALUATION CRITERIA.

The initial Performance Evaluation Areas (PEAs)/Items and Evaluation Criteria are in Annex 2. The Performance Evaluation Areas are assigned weights based on their relative importance. The government may change the weighting, if necessary.

6. PERFORMANCE EVALUATION PERIODS AND FEE ALLOCATION.

Performance Evaluation Periods (PEPs) and the fee allocations to each PEP are in Annex 3. "Allocated \$" in Annex 3 is the Award Fee that can be earned during each PEP. Unearned Award Fee can not be transferred to a later PEP.

7. FEE SUMMARY.

This contract includes both Incentive and Award Fees. Fee Summary information is at Annex 4.

8. MODIFICATION OF THIS PLAN.

a. Before a PEP begins, the government may unilaterally modify any portion of this plan. The following are the most likely candidates for modification:

- (1) Performance Evaluation Areas/Items.
- (2) Evaluation Criteria.
- (3) Performance Evaluation Periods.

b. Before the ARB meeting, the FDO may unilaterally modify the ARB membership.

c. The FDO will authorize each Award Fee Plan modification as indicated by his signature on plan changes. The PCO may authorize administrative modifications resulting from bilateral contract modifications or to correct minor administrative errors.

d. The PCO will notify the contractor of Award Fee Plan changes in writing and will revise the Award Fee Plan.

9. EARLY TERMINATION.

If the contract is terminated early, the current PEP will be terminated simultaneously with the contract termination. The amount of the Award Fee for the shortened PEP will be prorated evenly by month. For the final Award Fee determination, the criteria for the current PEP will be used. For a termination by default, the Award Fee is payable only to the extent earned through the last PEP before termination.

10. AWARD FEE INTEGRITY.

The Award Fee process is subjective, but the government assures its integrity. The written records of the evaluation monitors, inputs from other pertinent sources, Contractor's self

assessment, and FDO review of evaluation process provide the checks and balances necessary to assure Award Fee integrity.

4 Annexes

1. Award Review Board Members
2. Performance Evaluation Areas/
Items and Criteria
3. Performance Evaluation
Periods
4. Fee Summary

AWARD REVIEW BOARD MEMBERS

VOTING MEMBERS

MEMBER	AREA OF EXPERTISE
1. Program Manager, XYZ Program, Chairperson	Program Management
2. Procuring Contracting Officer	Contracting
3. Deputy for Contracting/ Designee	Contracting
4. Deputy for Engineering/ Designee	Engineering Management
5. Director for Program Control/Designee	Financial Management

~[etc.]~

NONVOTING MEMBERS

6.* Recorder (Award Fee Project Officer)	Award Fee Plan
---	----------------

~[etc.]~

ADVISOR/NONVOTING MEMBERS

10. Staff Judge Advocate/ Designee	Legal
11. In-Plant Administrative Contracting Officer/ Designee [could be a voting member]	Contracting

~[etc.]~

- Recorder shall be appointed by the ARB Chairperson. [If the FDO determines the Award Fee Project Officer should be a voting member, then another individual, such as the contract negotiator, should be the recorder.]

- ARB Chairperson may approve designees for ARB members. The FDO may approve a designee for the ARB Chairperson.

- Seventy-five percent of the voting members is necessary for an ARB meeting quorum. The Chairperson/Designee and PCO must be present.

APPROVED:

Fee Determining Official

[Keep ARB membership as small as possible.]

PERFORMANCE EVALUATION AREAS/ITEMS
AND EVALUATION CRITERIA

[Attachment 3 identifies other formats for Performance Evaluation Areas/Items and Evaluation Criteria. This annex is a format sample only.]

PERFORMANCE EVALUATION AREA WEIGHTINGS

<u>PERFORMANCE EVALUATION AREA (PEA)</u>	<u>PEA WEIGHTS (%)</u>
A. General Management Practices	30
B. Subcontract Management	30
C. Systems Engineering Management	25
D. Test and Evaluation	15
TOTAL	100%

PERFORMANCE EVALUATION AREAS/ITEMS AND EVALUATION CRITERIA

Note:

A. While a very few evaluation items may have a lower rating, this does not preclude recommending or awarding of a higher fee if, in the opinion of the FDO or ARB members, the overall area rating is at the higher level.

B. While some specific evaluation areas may have an "unacceptable" rating, this does not prevent award of fee if the overall rating is "Good" or above. Award Fee will not be granted for overall performance that is less than "Good."

C. Evaluation points will be integer values only.

Area A: General Management Practices

Unacceptable Rating (0 - 59 points) The contractor shall earn this rating and associated points for the following:

1. Causes of significant problems are identified late. Solutions are only stop-gap measures and little attempt is made to define more effective options and solutions.
2. In depth risk analysis is lacking.

3. Poor corrective action is taken on identified problems.

4. Critical milestones are consistently slipped.

5. Evaluation of problems is not presented to the program office in a timely fashion.

6. Program visibility is lacking.

7. Proposals are consistently late and incomplete impacting audit/fact-finding efforts.

8. Poor communications of program issues in meetings and presentations.

9. Contract Deliverables (CDRLs) are frequently late, inadequate, and requiring corrections.

10. Poor visibility of program and equipment costs.

Good Rating (60 - 79 points) The contractor shall earn this rating and associated points for the following:

1. Timely identification of problem causes and solutions.

2. Applies risk analysis to assess total impact and minimize subsequent impact.

3. Timely and aggressive corrective action on identified problems is lacking.

4. Meets critical milestones.

5. Provides timely evaluation of problems to program office.

6. Maintains visibility of program and equipment costs and schedules.

7. Proposals are submitted on time with consistent quality and no major audit/fact-finding and negotiation schedule problems.

8. Program issues are communicated in a timely manner minimizing program impacts.

9. CDRLs are submitted on time with consistent quality.

10. Maintains visibility of program and equipment costs.

Very Good Rating (80 - 89 points) The contractor shall earn this rating and associated points if the majority of the "Good" criteria are satisfied plus the following:

1. Anticipates problems and takes corrective actions to minimize impact.
2. Solutions demonstrate initiative and require little revision.
3. Required changes implemented with minor impact.
4. Requests data for early problem anticipation.
5. Meets all significant schedule milestones.
6. Applies clear cost/effective trade-offs to meet performance requirements at minimum cost.
7. Proposals are submitted on time with superior documentation and no audit concerns.
8. CDRLs are submitted on time and demonstrated superior subject knowledge.
9. Skillfully adjusts program and equipment schedule priorities based on critical path analyses.
10. Supports associate contractors in a timely and effective manner. Contributes meaningful imputes.
11. Responsive and efficient communication of program issues with program office.

Excellent Rating (90 - 100 points) The contractor shall earn this rating and associated points if the majority of the "Very Good" criteria are satisfied plus the following:

1. Solves difficult interface problems and implements low cost, high performance solutions which significantly enhances overall program success.
2. Enthusiastically implements cost savings ideas which result in weapon system cost reductions.
3. Takes the initiative to work out difficult problems with associate contractors.
4. Demonstrates clear corporate commitment to program goals and objectives.

5. Communications with program office demonstrates initiative and teamwork in solving program issues.

6. Proposals submitted early and negotiations completed ahead of schedule.

Area B: Subcontract Management

Unacceptable Rating (0 - 59 points) The contractor shall earn this rating and associated points for the following:

1. Unsatisfactory control of subcontractor design, schedule, performance, and cost as indicated by poor design, avoidable schedule slips, substandard performance, and cost overruns.

2. Delays in exchange of data and hardware with subcontractors.

3. Subcontractor interface problems leading to late identification of problems.

4. Merely advises the government that unlimited rights for Technical Data are unobtainable without complete justification.

5. Very limited flow down of specifications and requirements to subcontractor.

6. Poor government visibility into subcontractor design, schedule, and cost performance.

7. Poor correcting action taken on subcontractor design, schedule, and cost problems.

Good Rating (60 - 79 points) The contractor shall earn this rating and associated points for the following:

1. Satisfactory integration and management of subcontractor's design, performance schedule, and cost.

2. Accurate and timely exchange of data with subcontractors.

3. Timely identification and resolution of subcontractor interface problems with all subcontractors.

4. Meets hardware deliveries of subcontracted data and hardware.

Very Good Rating (80 - 89 points) The contractor shall earn this rating and associated points if the majority of the "Good" criteria are satisfied plus the following:

1. Comprehensive and systematic evaluation of subcontract progress compared to master program schedule.
2. Subcontract reporting system anticipates problem areas early enough to provide adequate time to minimize program impact.
3. Displays initiative in controlling the performance, complexity, and cost of the subcontractor's products.
4. Effectively uses off-the-shelf products to minimize development and qualification cost while attaining performance requirements.
5. Diligent efforts obtain Technical Data, wherever feasible, with unlimited rights for government use.
6. Actively provides government visibility into subcontractor design, schedule, and cost performance.

Excellent Rating (90 - 100 points) The contractor shall earn this rating and associated points if the majority of the "Very Good" criteria are satisfied plus the following:

1. Improves system performance, cost, or schedule resulting from active management of subcontract design and development.
2. Avoids any schedule or cost impact resulting from subcontractor performance.
3. Obtains complete Technical Data, wherever feasible, with unlimited rights for government use.
4. Responsive and efficient continuous communications with subcontractors demonstrating initiative and teamwork in serving program issues.

Area C: Systems Engineering Management

Unacceptable Rating (0 - 59 points) The contractor shall earn this rating and associated points for the following: . . .

Good Rating (60 - 79 points) The contractor shall earn this rating and associated points for the following: . . .

Very Good Rating (80 - 89 points) The contractor shall earn this rating and associated points if the majority of the "Good" criteria are satisfied plus the following: . . .

Excellent Rating (90 - 100 points) The contractor shall earn this rating and associated points if the majority of the "Very Good" criteria are satisfied plus the following: . . .

Area D: Test and Evaluation

Unacceptable Rating (0 - 59 points) The contractor shall earn this rating and associated points for the following: . . .

Good Rating (60 - 79 points) The contractor shall earn this rating and associated points for the following: . . .

Very Good Rating (80 - 89 points) The contractor shall earn this rating and associated points if the majority of the "Good" criteria are satisfied plus the following: . . .

Excellent Rating (90 - 100 points) The contractor shall earn this rating and associated points if the majority of the "Very Good" criteria are satisfied plus the following: . . .

PERFORMANCE EVALUATION PERIODS

PERIOD	FEE ALLOCATION		START OF PERIOD	END OF PERIOD
	%	\$		
1	10	TBD	Start of Contract	Successful completion of PDR to include disposition of Contractor's open action items and delivery of final PDR documentation to the Air Force.
2	10	TBD	End of Period 1	Successful completion of CDR to include disposition of contractor's open action items and delivery of final CDR documentation to the Air Force.
3	15	TBD	End of Period 2	Successful functional test of subsystems A and B and the delivery of final test documentation to the Air Force.
4	20	TBD	End of Period 3	Successful functional test of subsystems C and D and the delivery of final test documentation to the Air Force.
5	25	TBD	End of Period 4	Completion of IOT&E of the XYZ system.
6	20	TBD	End of Period 5	Delivery of XYZ system and end of contract.
	100%	TBD		

[Attachment 2 identifies other ways to end PEP's. This annex is a sample format.]

FEE SUMMARY

COST-PLUS-INCENTIVE-FEE

Target Fee	TBD
Share Ratio	70%/30%
Minimum Fee	TBD
Maximum Fee	TBD

AWARD FEE

Award Fee Pool	TBD
----------------	-----

Fee Computation Method:

1. Determine each Performance Evaluation Area's (PEA's) Average Performance Points: Sum of ARB members' rating divided by the number of voting members.
2. Determine the overall weighted score: For each PEA, multiply average performance points by PEA Weights and sum their products.
3. Determine Percent Award Fee for Period: Calculate Percent Award Fee using one of the following equations:

X = Overall Weighted Score

Y = Percent Award Fee for Period

If $X \leq 59$, $Y = 0$

If $59 < X \leq 80$, $Y = 25 + (30/20) (X-60)$

If $80 < X \leq 90$, $Y = 55 + (20/10) (X-80)$

If $90 < X \leq 100$, $Y = 75 + (25/10) (X-90)$

4. Determine Recommended Fee for Period: Multiply Percent Award Fee and the total Award Fee for the period.

Attachment 2

PERFORMANCE EVALUATION PERIODS

Carefully establish your Performance Evaluation Periods (PEPs), since these periods also send a motivational signal to the contractor. This appendix explains two methods to start and stop Award Fee periods, states advantages and disadvantages of each, and provides related suggestions.

The two methods to establish Award Fee PEP start and stop points are calendar dates or schedule milestones. With calendar dates, the periods start and stop on calendar dates. With schedule milestones, periods relate to program events such as "Critical Design Review Complete," "First 10 Units Delivered," or "Satellite Launched" (26:4).

In deciding which method to use, here are some advantages and disadvantages to consider:

a. Calendar date method

(1) is easier to administer and allows for planning of AEB and FDO meetings.

(2) is easier to budget correct fiscal years' funds, and

(3) allows you to keep periods of uniformed and/or desired lengths.

However, calendar date method

(1) may instill feelings of "show up for work 'X' days and get my fee" vs results oriented drive, and

(2) may result in the contractor getting much of the available fee when important program events have slipped into later periods.

b. Milestone method

(1) ties the program schedule to the availability of fee,

(2) relates fee remaining and work remaining, and

(3) sends a signal to the contractor of the importance of schedule achievement.

However, milestone method

(1) is more difficult to preplan ARB and FDO meetings.

(2) may require you to pay fee with different fiscal years' funds than originally budgeted.

(3) encourages the contractor to concentrate effort on the specific milestone event(s) at the expense of the rest of the program.

(4) increases likelihood of the contractor claiming Government caused delay.

(5) may send the incorrect signal that schedule is the prime program driver at the expense of cost, technical, and maintainability goals (However, that may be the message that you want to send. Note that even if schedule achievement is not a Performance Evaluation Area, milestone method adds it as a de facto item.), and

(6) may not be an effective motivator if the slipped period is not near the end of the corporate fiscal year. Program managers usually forecast their cash flow and fee contribution to their headquarters by fiscal year. If the delayed fee payment is still in the same contractor fiscal year, there will not be that much corporate pressure on their program manager.

Here are some suggestions related to the milestone method.

a. Best Length. The "best" Award Fee period length is program unique. However, we suggest 5 to 7 months as appropriate. It balances the need to keep the contractor thinking about his next Award Fee determination and the administrative workload of making the determination and award.

b. Program Events. In selecting period ending milestone(s), encourage the contractor to make program-wide advancement, vice effort in one area. Consider, a program schedule with events A through H:

```

A-----B\
C-----D->G-----H~
E-----F--/

```

Selecting events A through F might cause the contractor to emphasize a particular program area (e.g., the A--B area) to the detriment of the rest of the program. By selecting events G or

H. the contractor must advance the program in all three areas to reach the period ending milestone.

c. Critical Path. In selecting period ending milestone(s), use events on the program's critical path schedule. Do not tempt the contractor to emphasize non-critical path events at the expense of critical path events. As your program advances, change ending milestones to match the current critical path.

d. Definite Milestones. In selecting period ending milestone(s), make them objective and unambiguous. A good milestone might be, "Launch Missile." The event is both objective and unambiguous ("Yes, I see the missile in the sky."). However, if your milestone is "Critical Design Review (CDR) complete," does that mean that the meeting is over even if the contractor was ill prepared or does it mean that every CDR open action item is closed (that could take a long time)--be a little more specific. Consider, "CDR complete as indicated by Government approving and signing meeting minutes."

e. Contractor Controllable. Be sure the contractor is responsible for the milestone event's accomplishment. For example, two contractors--the satellite builder and the rocket builder and launcher--have the same ending milestone event, "launch satellite." Should the satellite builder's PEP stay open because the rocket builder is behind schedule? Likewise, should the rocket builder's PEP stay open because the satellite builder has mechanical problems on the launch pad? As much as possible, make the contractor responsible for his own fate. Alternatively, you may choose to use the same ending milestone on two contracts if you want the contractors to work together, just expect complaints.

Carefully establish evaluation periods, because it sends a powerful and useful motivational signal to your contractor.

Attachment 3

PERFORMANCE EVALUATION AREAS/ITEMS AND EVALUATION CRITERIA

Performance Evaluation Areas (PEAs)/Items and Evaluation Criteria are powerful tools which encourage contractor excellence in pursuit of program acquisition goals. In a briefing to its employees, a major contractor pointed out that Award Fee is more than a source of profit, "Award Fee is our report card" (36:--). In another contractor's headquarters, the most recent Award Fee ratings were posted and compared. The program manager who earned 99 percent of a \$100,000 Award Fee pool received as much or more praise as the program manager who earned 80 percent of a \$2,000,000 pool. By understanding and using the knowledge that our contractors not only view Award Fee as a source of profit, but as a measure of success, the government can more effectively motivate contractor performance.

This attachment reviews the following items:

- a. What is the current direction related to PEAs/Items and Evaluation Criteria? This provides a better understanding of the government's strategy in using Award Fee.
- b. The handbook offers points to consider in developing PEAs/Items and Evaluation Criteria. Like much of the Award Fee Plan, tailor it to your program's benefit.
- c. The handbook offers different formats for PEAs/Items and Evaluation Criteria.

Program Guidance

The program office is not "straight jacketed" by restrictive statutes or regulations when constructing PEAs/Items and Evaluation Criteria. The direction is general and stresses flexibility.

Attachment 3, Annex A is taken from the referenced sources, edited by Majors Goetz and Jennings (18:Annex 4; 19:Annex 4).

Attachment 3, Annex B is taken from the referenced sources, edited by Majors Goetz and Jennings (22:Schedule 1; 24:Annex 3; 25:Annex 3).

ity. The DoD Federal Acquisition Regulation Supplement states it best:

The number of criteria used and the requirements which are represented will differ widely from one contract to another. Therefore, when determining criteria and rating plans the using activity should be flexible and select a plan which will motivate the contractor in a positive way to improve performance (30: para 16.404-2).

The AFSC FAR Supplement stresses two items. First, Award Fee should encourage exceptional contractor performance, not a "go to work and get some fee" mind-set. Definitely motivate the contractor out of marginal or average performance. Increase earned fee geometrically as contractor performance approaches excellence. Second, there is no automatic or "base fee" that the contractor is always entitled to on an Award Fee contract. The contractor starts every Award Fee period with zero Award Fee and earns fee during the period through superior performance (15:116).

Your product division or organization may levee additional guidance, so you need to understand and follow that guidance. However, if the guidance does not support your program's needs, ask questions and request waivers.

Suggestions to the User

Programs are so unique that standard PEAs/Items or Evaluation Criteria are worthless, so here are some suggestions to consider while you develop your Award Fee Plan.

a. Concentration. The ideal Award Fee Plan would encourage the contractor to emphasize and to achieve excellence in all areas. Unfortunately, you can only stress a few areas/items at one time. Too many PEAs dilute the value of the Award Fee provisions by attaching small percentages of potential fee to several PEAs. Concentrate on three or four critical areas of your program when developing your PEAs/Items. Remember two more points. First, use your program's top management (usually the ARB members and chairperson) to decide which PEAs/Items to stress. They have the broad view of the program's needs. Second, the importance of the PEAs/Items change over time, so review and change them when necessary.

b. FISC--Keep It Simple Stupid. A lot of government people will be reading and interpreting the PEAs/Items and Evaluation Criteria. Keep both items simple and clear enough for even the newest member of the team. How clear? Every government team member needs to be able to observe contractor performance, to determine if that performance is in a PEA, and to place the event into an Evaluation Criteria category.

Presentation Formats

There are several ways to format PEAs/Items and Evaluation Criteria. This attachment presents examples of two methods. The first method combines the PEAs/Items and Evaluation Criteria (see Annex A). This sample is very detailed and rigorous, so the handbook also provides a less rigorous sample in the "Sample Award Fee Plan." The second method separates the PEAs/Items and the Evaluation Criteria (see Annex B). The PEAs/Items describe the activities to be observed with no attempt to differentiate levels of performance. The Evaluation Criteria provides the measurement standard.

Which method is best for your program? Consider the following in making this decision:

a. There is no right or directed method, so chose the method that best supports your program. If you have very specific, limited activities, use a detailed method like that presented in Annex A. If you are monitoring a broader range of activities, use a more general method.

b. Your program office will have to administer this Award Fee program, so select a usable and understandable method. The most scientifically correct and detailed method is useless if no one understands or uses it. If you have a knowledgeable and sophisticated government team, any method will work. However, if the government team is inexperienced or does not include a lot of Phi Beta "Captains," keep it more simple. Judge the government team's capability by seeing if Monitors and ARB members actually use current evaluation methods or do they "wing'en it."

c. You have a lot of help available. Look over the samples in this handbook. Talk to the division's or organization's Award Fee focal points or acknowledged experts. Look at other contracts that have good Award Fee programs. Talk to people in other product divisions or organizations.

Do your homework and make decisions. Good luck!

Now that you made your decision, you will likely discover that the selected method has a few bugs in it. So what! Modify the Award Fee Plan before the start of the next PEP and see if the modified plan works better.

COMBINED
PERFORMANCE EVALUATION AREAS/ITEMS AND CRITERIA

A. MANAGEMENT AREA (AREA WEIGHT: 35%)

1. Interfaces, Configuration and Data Management, and GFP Integration Item

EXCELLENT (90-100 POINTS) Works very closely with Government Configuration Management to assure complete and timely submittal and review of specifications, engineering drawings, and engineering change proposals (ECPs). Number, level of breakout, and quality of specifications support complete visibility into critical requirements allocations and interfaces, and provides maximum support for production competition. Engineering drawings meet all contract requirements without significant corrections (e.g., critical dimensions missing, improper use of control drawings, incorrect flag notes for hardness critical items and interfaces, unauthorized contractor peculiar documents, and unauthorized proprietary markings), and all submittals are complete and on time. Contract data schedules assure timely and complete submittals. GFP requirements are well identified, understood, coordinated and organized. All critical milestones are achieved.

VERY GOOD (80-89 POINTS) Works well with Program Office, providing active, constructive support of Configuration Control Board (CCB). Specifications and ECPs are generally complete and timely; few corrections are required and nearly all are on time. Number, level of breakout, and quality of specifications is adequate to support production competition. Engineering drawings are complete and less than 5 percent of those reviewed by the Program Office require significant corrections. Most contract data items submitted on schedule, with no impact to critical milestones. GFP requirements are coordinated and actively support the Program Office program needs with no impact to critical milestones.

GOOD (60-79 POINTS) Provides only basic support to CCB. Submitted documentation requires moderate correction and occasionally delivered late, but without program milestone impact. . .

UNACCEPTABLE (0-59 POINTS) Lacks organization and planning to provide minimum support to CCB. Documents submitted require gross corrections. . .

2. Subcontract Management Item

EXCELLENT (90-100 POINTS) Formalized system to monitor schedules and costs; close contact to avoid problems; integrated requirements documents and detailed specifications used.

Constantly meets scheduled contract awards and critical milestones.

VERY GOOD (80-89 POINTS) General procedures used to monitor schedules and costs; all requirements documented in subcontract specifications. Meets all scheduled contract awards and most critical milestones.

GOOD (60-79 POINTS) Plans and procedures for management of schedule and cost are very general; minor requirements are not documented or incomplete. Meets most scheduled contract awards and critical milestones.

UNACCEPTABLE (0-59 POINTS) No plans or system for monitoring subcontractors; requirements not documented. Fails to meet scheduled contract awards and critical milestones.

3. Cost Performance Reporting Item . . .
4. Contract Change Management Item . . .
5. Product Assurance Item . . .
6. Management Motivation Item . . .

B. SYSTEMS ENGINEERING AND SPECIAL STUDIES AREA (AREA WEIGHT: 20%)

1. Engineering Analysis Item . . .
2. Integrated Logistics Support Item . . .
3. Assembly and Checkout (A&CO) Item . . .
4. Requirements Definition and Integration Item . . .

~[etc.]~

SEPARATE
EVALUATION AREAS/ITEMS AND CRITERIA

A. SCHEDULE ACHIEVEMENT/CRITICAL PATH MANAGEMENT (AREA WEIGHT: 40%)

1. Completes tasks on or ahead of schedule. Energetically takes action to identify, define, coordinate, and smoothly carry out schedule workarounds and changes to avoid causing an adverse impact on major program milestones.

2. Aggressively identifies, defines, analyzes, maintains, and reports the status of program schedules. Develops and maintains complete, current, valid, coordinated schedule data. Actively works with government and other program contractors to be sure that program schedules reflect the best available, most current information available . . . traceability and compatibility exist throughout the contractor's schedules and with applicable program schedules.

3. Places special emphasis on identifying, defining, maintaining the status of, and managing to the program critical path. Identifies and carefully considers the critical path impact of all problems, changes, issues, recommendations, and decisions.

4. Shows initiative in anticipating, preventing, and solving schedule problems with little government urging. Develops innovative techniques and procedures to improve performance of required work and to reduce their schedule times.

B. PROGRAM MANAGEMENT (AREA WEIGHT: 20%)

1. Management reflects foresight, depth of analysis, and a comprehensive approach. Develops corporate interest and support this program to insure priority allocation of corporate resources.

2. Conducts comprehensive, objective, and worthwhile program and business reviews with an attitude of accurately assessing progress and jointly working problems and solutions with appropriate government and/or contractor offices.

3. Finds innovative ways to improve company internal and program operations. Requires little government program office urging. Performs in the best interest of the government.

4. Develops an effective, efficient internal organization which reflects

a. clear definition and allocation of responsibility.

b. strong, open lines of internal and external communications,

c. thorough internal integration, and

d. an emphasis on productivity and quality.

5. Effectively controls and manages subcontractors to meet or better program cost and schedule goals and to prevent or minimize the impact of subcontractor problems on the program office. Contractor's subcontract procurement packages correct and comply with government requirements.

6. Demonstrates high sensitivity to overall program cost effectiveness and government funding requirements. Seeks and pursues opportunities for program cost avoidance. . . .

7. Cost collection and reporting system meets letter and spirit of the Cost/Schedule Control System Criteria (C/SCSC) in a realistic, cost-effective manner. . . .

8. Emphasizes and aggressively promotes the quality assurance program to . . .

9. Operates effective management, administration, and control of property management. Makes efficient use of government-provided support.

C. TECHNICAL (AREA WEIGHT: 40%)

1. Provides effective system designs which maximize consideration given to proven design concepts, component commonality, and human engineering. Employs a thorough systems engineering approach. Minimizes the need for, and cost and technical impact of, engineering design changes.

2. Provides accurate and complete technical documentation.

3. Provides sustaining engineering for those systems and subsystems which have been developed. Provides required maintenance and logistics support for installed systems and subsystems through government acceptance and turnover to be sure that equipment performance meets or exceeds requirements.

4. Performs a testing program which provides the maximum cost benefit to the program. Identifies, tracks, and resolves test discrepancies, deficiencies, anomalies, and problems in a vigorous, controlled, visible, technically sound, complete and cooperative manner.

EVALUATION CRITERIA

ADJECTIVE RATING	POINTS EARNED	ADJECTIVE DESCRIPTION
SUPERIOR	96-100	Contractor's accomplishments are marked by exceptionally high performance. All FEAs are being commendably performed. Only very minor improvement is possible beyond current performance level. No deficiencies threaten program success.
EXCELLENT	80-95	Contractor substantially exceed most contract requirements. There are some superior features; however, there are also some items needing improvement and management attention that detract from performance which could otherwise be rated higher. No deficiencies threaten program success.
GOOD	50-79	Contractor meets or exceeds all contract requirements. There are some excellent or superior features. An opportunity exists for improvement in some FEAs that detracted from overall achievement. No deficiencies threaten program success.
SATIS- FACTORY	10-49	Contractor meets the minimum contract requirements with little distinction. The degree of performance is adequate; however, substantial improvement is needed in many FEAs. Deficiencies threaten complete program success.
UNSATIS- FACTORY	0-9	Contractor does not meet some or all contract requirements. Although some FEAs have been performed adequately, others indicate the need for substantial and urgent improvement. Program success is in question.

Attachment 4

AWARD REVIEW BOARD AND
FEE DETERMINATION CHECKLIST

Here is a sample schedule of events and explanatory notes for the preparations for an ARB (T-times are in days from the end of the award fee period):

T-45. ARB Chairperson appoints Recorder. Recorder receives a general outline of the information that the Chairperson wants presented at the ARB meeting.

T-40. Recorder schedules the time and place for the ARB and FDO meetings.

T-30. From the contractor, he/she determines if the contractor desires to present a Self-Assessment Briefing. Schedules time and place of same. With the PCO and the contractor, keep briefing costs reasonable by establishing briefing ground rules (number of contractor people present, printed handouts, length of briefing, etc.).

T-30. Prepares and distributes a Chairperson letter assigning ARB members, by name, informs them of the ARB meeting date and time. If known, invite Members to the Contractor Self-Assessment Briefing and informs them of any pre-ARB preparations or reviews which the Chairperson expects the Members to complete. A suggested attachment to this letter is the Award Fee Plan to include the Performance Evaluation Areas and Performance Standard.

T-30. Prepares and distributes a Chairperson letter to the Outside agencies requesting their evaluation of the contractor for the award fee period. Make the period of observation very clear and establish the suspense date after the end of the period. Suggested attachments to this letter are the Award Fee Plan's Performance Evaluation Areas and Performance Standard and a feedback form to somewhat standardize their input.

T-20. Prepares and distributes a Chairperson letter to the Division or Directorate Chiefs requesting their upper management evaluation of the contractor for the award fee period. Make the period of observation very clear and establish the suspense date after the end of the period. Stress that the Monitors provide the specific, detailed evaluations of the contractor's performance and that the Chiefs' evaluation should address the

broader, programmatic issues that they work. Chairperson input determines the Chief's format and will be a camera ready slide for presentation at the ARB or a written input to the Chairperson and Members.

T+15. Prepare and distribute and schedule of events letter. This letter does two things. First, it provides the schedule for Directorate or Division project officer debriefs. Second it reminds the staff members that performance feedback input will be required by the Award Fee Project Officer soon after the end of the award fee period--suspenses are short.

T+01. Contractor presents his/her Self-Assessment Briefing to the ARB Chairperson and Members, and other interested government team members.

T+02-T+08. Debrief Division or Directorate project officers.

With the help of the Award Fee Project Officer, summarize the Monitor input data.

T+09. Outside Agency and Upper Management Inputs are due. Prepare summaries of this information.

T+11. Based on his/her review of last month's Monitors inputs, Award Fee Project Officer updates or corrects Monitor input data.

T+12. Review draft ARB slides with Chairperson.

T+14. Final ARB slides due to the Chairperson.

Complete any handouts for the ARB Members.

Confirm that ARB Members will attend ARB meeting.

If any Member can not attend, insure that the Chairperson and Member agree on a substitute.

T+15. Conduct ARB

T+17. Review FDO briefing information and proposed fee determination letter with ARB chairperson. If letter is satisfactory, coordinate it with the ARB members.

T+20-T+25. Meet with FDO. FDO makes fee determination and signs/recommends changes to fee determination letter. FDO starts any required upchannel notifications.

T+27. FDO reviews and signs revised fee determination letter and authorizes its release to the contractor.

FDO, Program Manager, FLO, etc. present letter to contractor.

FDO receives copy of FDO letter and begins to assess funding modification.

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AWARD FEE HANDBOOK(U) AIR COMMAND AND STAFF COLL
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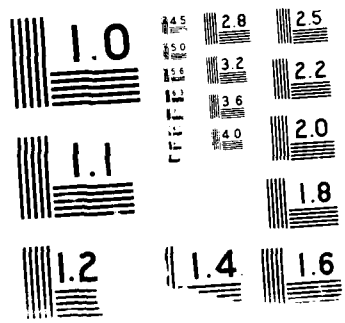
2/2

UNCLASSIFIED

F/G 5/1

NL





T+30. FDO, ARB Chairperson, or Executive Level government person debriefs contractor's management on the performance evaluation and fee determination (27:Atch 2).

APPENDIX B

ISD ANALYSIS FOR AWARD FEE CONTRACTING

Appendix B

INSTRUCTIONAL SYSTEMS DEVELOPMENT ANALYSIS
FOR
AWARD FEE CONTRACTING

JPR: NA

JPR Title: Award Fee Planning and Execution

Level-of-Learning: Comprehend the process to plan, execute and administer an Award Fee contract (AFC) in an AFSC major weapon system acquisition.

Sample of Behavior: NA

Criterion Objective: NA

Objective Test: NA

JPR: PL

JPR Title: Planning Phase (PL)

Level-of-Learning: Comprehend AFC during the Planning Phase of an AFSC major weapon system acquisition.

Sample of Behavior: NA

Criterion Objective: NA

Objective Test: NA

JPR: PL1

JPR Title: Identify AFC Situations

Level-of-Learning: Comprehend when an AFC is the most appropriate type of fee on an AFSC major weapon system acquisition.

Sample of Behavior: Explain when it is appropriate to use an AFC.

Criterion Objective:
Condition: Given this handbook, FAR, unlimited access to an AFSC regulation library, and three weapon system acquisition situations,

Performance:	the student will identify if AFC is appropriate for that situation
Standard:	with 100% accuracy.
Objective Test:	Here are three weapon system acquisition scenarios. State if AFC is an appropriate fee structure.

JPR:	PL2
JPR Title:	Identify advantages and disadvantages.
Level-of-Learning:	Comprehend the advantages and disadvantages of using an AFC.
Sample of Behavior:	Identify and summarize the advantages and disadvantages of AFC, identify each advantage's and disadvantage's relative importance, and the overall value of using an AFC in a particular weapon system acquisition.
Criterion Objective:	
Condition:	Given this handbook, FAR, unlimited access to an AFSC regulation library, and three weapon system acquisition situations,
Performance:	summarize the advantages and disadvantages of AFC, program unique advantages and disadvantages, each advantage's and disadvantage's relative importance, and the overall value of using an AFC in a particular weapon system acquisition
Standard:	with 100% accuracy.
Objective Test:	Here are three weapon system acquisition scenarios. For each scenario, summarize: -the advantages and disadvantages of using AFC. -program unique advantages and disadvantages of using AFC. -the relative importance of each advantage and disadvantage. -the overall value of using an AFC.

JPR:	EX
JPR Title:	Execution Phase (EX)
Level-of-Learning:	Comprehend AFC during the Execution Phase of an AFSC major weapon system acquisition.
Sample of Behavior:	NA

Criterion Objective: NA

Objective Test: NA

JPR: EX1

JPR Title: Identify the requirement for AFC clauses in the solicitations to prospective bidders and contracts.

Level-of-Learning: Know that AFC clauses must be included in the solicitation to prospective bidders and contracts.

Sample of Behavior: States that AFC clauses must be included in the solicitation to prospective bidders and contracts.

Criterion Objective:

Condition: Given this handbook, FAR, unlimited access to an AFSC regulation library, and the determination to use an AFC,

Performance: the student will state the requirement to include AFC clauses in the solicitations to bidders and contracts

Standard: with 100% accuracy.

Objective Test: You have been tasked to prepare the solicitation to prospective bidders and contracts for an AFC, state if there are unique clauses required by the type of contract used?

JPR: EX2

JPR Title: Locate AFC clauses.

Level-of-Learning: Comprehend the procedures to select the correct and current AFC solicitation and contract clauses.

Sample of Behavior: Locates the correct and current AFC clauses to be included in the solicitation to bidders and contracts.

Criterion Objective:

Condition: Given this handbook, FAR, unlimited access to an AFSC regulation library, and the decision to use an AFC,

Performance: the student will locate the correct and most current AFC clause(s) for inclusion in

	a solicitation to prospective bidders and contracts
Standard:	with 100% accuracy.
Objective Test:	You have been given the task to prepare a solicitation to prospective bidders and resultant contracts for an AFC, locate the AFC clauses(s) that would be included in the solicitation and contract. Record the location and date/revision of the clauses that will be used.
<hr/>	
JPR:	EX3
JPR Title:	Modify AFC clauses in solicitation to prospective bidders and contracts.
Level-of-Learning:	Comprehend the situation requiring modified AFC clauses in a solicitation to prospective bidders and contracts.
Sample of Behavior:	Makes necessary modifications to standard AFC clauses.
Criterion Objective:	
Condition:	Given this handbook, FAR, unlimited access to an AFSC regulation library, and the determination to use an AFC,
Performance:	the student will analyze the situation, determine if modifications are needed, and modify standard AFC clauses in a solicitation to prospective bidders and contracts
Standard:	with 100% accuracy.
Objective Test:	Here are three weapon system acquisition management situations, modify (if needed) the standard AFC clauses for the solicitation and contracts.
<hr/>	
JPR:	EX4
JPR Title:	Prepare an Award Fee Plan
Level-of-Learning:	Comprehends procedures for the preparation of the Award Fee Plan.
Sample of Behavior:	[EX4.1] Prepares an Award Fee Plan. [EX4.2] Explains the two methods used to establish the start and stop points of

Award Fee periods to include the advantages and disadvantages of each.

[EX4.3] Constructs Performance Evaluation Criteria.

[EX4.4] Constructs Performance Evaluation Areas/Items.

Criterion Objective:

- Condition: [EX4.1] Given this handbook, FAR, unlimited access to an AFSC regulation library, the determination to use an AFC, and three acquisition scenarios,
- Performance: the student will prepare an Award Fee Plan
- Standard: with 100% accuracy.

- Condition: [EX4.2] Given this handbook, FAR, unlimited access to an AFSC regulation library, and the determination to use an AFC.
- Performance: the student will explain and state the advantages and disadvantages of the two methods used to establish the start and end points of Award Fee periods
- Standard: with 100% accuracy.

- Condition: [EX4.3] Given this handbook, FAR, unlimited access to an AFSC regulation library, the determination to use an AFC, and a specific contract type,
- Performance: the student will construct or select a Evaluation Criteria which is compatible with the Performance Areas/Items and program requirements
- Standard: with 100% accuracy.

- Condition: [EX4.4] Given this handbook, FAR, unlimited access to an AFSC regulation library, the determination to use an AFC, and three acquisition scenarios,
- Performance: the student will prepare Performance Evaluation Areas/Items compatible with the Evaluation Criteria and program objectives
- Standard: with 100% accuracy.

Objective Test:

[EX4.1] For each acquisition management scenario, prepare an Award Fee Plan that best supports program requirements.

[EX4.2] What are the two methods to establish the start and end points of Award Fee periods? What are the advantages and disadvantages of each method?

[EX4.3] For each acquisition management scenario, prepare Performance Evaluation Criteria which best support program requirements.

[EX4.4] For each acquisition management scenario, prepare the Performance Evaluation Areas/Items which best support program requirements.

JPR: EX5

JPR Title: Identify the requirement to and reserve program funds for the Award Fee Pool.

Level-of-Learning: Comprehend the requirement to reserve and to use the correct amounts and types of program funds for funding Award Fee pools.

Sample of Behavior: [EX5.1] Summarizes the requirements of and the punishment(s) for violation of the Anti-Deficiency Act.

[EX5.2] Summarizes the financial management requirements for reserving and using funding for an Award Fee Pool.

Criterion Objective:

- Condition: [EX5.1] From memory,
- Performance: the student will summarize the requirements of and the punishments for violating the Anti-Deficiency Act
- Standard: with 100% accuracy.

- Condition: [EX5.2] Given this handbook, FAR, unlimited access to an AFSC regulation library, and the determination to use an AFC,
- Performance: the student will state the requirement to administratively reserve program funds sufficient to fund Award Fee payments.
- Standard: with 100% accuracy.

Objective Test: [EX5.1] Summarizes the requirements of and the punishments for violating the Anti-Deficiency Act.

[EX5.2] State the financial management requirements related to the administrative reserving of program funds related to Award Fee contracting.

JPR: CA

JPR Title: Contract Administration (CA)

Level-of-Learning: Comprehend AFC during the Contract Administration Phase of an AFSC major weapon system acquisition.

Sample of Behavior: NA

Criterion Objective: NA

Objective Test: NA

JPR: CA1

JPR Title: Develop, implement, and operate contractor performance monitoring and feedback program.

Level-of-Learning: Comprehend how to develop, implement, and operate an AFC contractor performance monitoring and feedback program.

Sample of Behavior: [CA1.1] Summarizes the characteristics of and advantages and disadvantages of a contractor performance monitoring and feedback program.

[CA1.2] Summarizes the operation of a contractor performance monitoring and feedback program.

[CA1.3] Defines the duties and responsibilities of the Fee Determining Official (FDO), Recorder, Award Review Board members, . . . during the Award Fee period.

Criterion Objective:

Condition: [CA1.1] Given this handbook, FAR, unlimited access to an AFSC regulation library, and simulated acquisition scenario (complete with contract and Award Fee Plan),

Performance: the student will summarize the characteristics of and advantages and disadvantages of a contractor performance monitoring and feedback program

Standard: with 100% accuracy.

Condition: [CA1.2] Given this handbook, FAR, unlimited access to an AFSC regulation library, and simulated acquisition scenario (complete with contract and Award Fee Plan),

Performance: the student will summarize the operation of a contractor performance monitoring and feedback program, to include listing the recurring activities and events for a typical month and Award Fee period

Standard: with 100% accuracy.

Condition: [CA1.3] Given this handbook, FAR, unlimited access to an AFSC regulation library, and simulated acquisition scenario (complete with contract and Award Fee Plan),

Performance: the student will define the duties and responsibilities of the following people during the Award Fee period: FDO, Recorder, ARB members, monitors . . .

Standard: with 100% accuracy.

Objective Test: [CA1.1] List the characteristics of a contractor performance monitoring and feedback program. State the advantages and disadvantages of such a program.

[CA1.2] Summarizes the typical monthly and Award Fee period activities that you would accomplish to operate a contractor performance monitoring and feedback program.

[CA1.3] List the duties and responsibilities of the following people during the Award Fee period: FDO, Recorder . . .

JPR: CA2

JPR Title: Fee Determination Process

Level-of-Learning: Comprehend the fee determination processes.

Sample of Behavior: [CA2.1] Defines the duties and responsibilities of the following people during the fee determination process: FDO,

Recorder, Contracting Officer, ARB members and Chairperson.

[CA2.2] Summarizes time constraints imposed on the fee determination and payment process.

[CA2.3] Summarizes preparations for the ARB to include data gathering, briefing preparation, and administrative details.

[CA2.4] Summarizes the operation of an ARB, to include required decisions.

[CA2.5] Summarizes the preparations for the ARB Chairperson's meeting with the FDO for the fee determination.

[CA2.6] Summarizes the post-FDO determination events and responsibilities of the ARB Chairperson and Recorder.

Criterion Objective:

Condition: [CA2.1] Given this handbook, FAR, unlimited access to an AFSC regulation library, and simulated acquisition scenario (complete with contract and Award Fee Plan),

Performance: the student will define the duties and responsibilities of the following people during the fee determination process: FDO, Recorder, Contracting Officer, ARB members, and Chairperson

Standard: with 100% accuracy.

Condition: [CA2.2] Given this handbook, FAR, unlimited access to an AFSC regulation library, and simulated acquisition scenario (complete with contract and Award Fee Plan),

Performance: the student will summarize the time constraints placed on the fee determination and payment process

Standard: with 100% accuracy.

Condition: [CA2.3] Given this handbook, FAR, unlimited access to an AFSC regulation library, and simulated acquisition scenario (complete with contract and Award Fee Plan),

Performance: the student will summarize preparations for an ARB meeting, to include data gathering

briefing preparations, and administrative details

Standard: with 100% accuracy.

Condition: [CA2.4] Given this handbook, FAR, unlimited access to an AFSC regulation library, and simulated acquisition scenario (complete with contract and Award Fee Plan),

Performance: the student will summarize the operation of the ARB meeting to include required decisions

Standard: with 100% accuracy.

Condition: [CA2.5] Given this handbook, FAR, unlimited access to an AFSC regulation library, and simulated acquisition scenario (complete with contract and Award Fee Plan),

Performance: the student will summarize the preparations of the ARB Chairperson's meeting with the FDO to elicit the fee determination

Standard: with 100% accuracy.

Condition: [CA2.6] Given this handbook, FAR, unlimited access to an AFSC regulation library, and simulated acquisition scenario (complete with contract and Award Fee Plan),

Performance: the student will describe the events and responsibilities of the ARB Chairperson, Recorder and others after the FDO's fee determination

Standard: with 100% accuracy.

Objective Test: [CA2.1] Defines the duties and responsibilities of the following people .

Objective Test: [CA2.1] Defines the duties and responsibilities of the following people during the fee determination process: FDO, Recorder, Contracting Officer, ARB members and Chairperson.

[CA2.2] State the time constraints placed on the fee determination and payment process.

[CA2.3] For the provided acquisition management scenario, summarize the steps that are necessary in preparation for an ARB meeting. Be sure to address data gather-

ing, briefing preparation, and administrative details in your summary.

[CA2.4] Summarizes the operation (that is, what takes place) during the ARB meeting. What specific decisions must come out of the ARB?

[CA2.5] Summarizes the preparations for the ARB Chairperson's meeting with the FDO to elicit the fee determination?

[CA2.6] Describe the events and responsibilities of the ARB Chairperson, Recorder and others after the FDO's fee determination.

JPR: CA3

JPR Title: Award Funding

Level of Learning: Comprehend the procedures necessary to fund an Award Fee determination.

Sample of Behavior: Summarizes the steps needed to obtain funding for the award of Award Fee.

Criterion Objective:

- Condition: Given this handbook, FAR, and, unlimited access to an AFSC regulation library,
- Performance: the student will summarize the steps necessary to obtain funding for an Award Fee award, to include coordination with the program office's financial managers and Contracting Officer, composition of the award payment, and action to released excess funds.
- Standard: with 100% accuracy.

Objective Test: Summarizes the steps necessary to obtain funding for an Award Fee award. Your summary must, at a minimum, address necessary coordination with the program office's financial managers and Contracting Officer, the composition of funds used to fund the award payment, and action to release excess funds.

JPR: CA4

JPR Title: Award Fee Plan Modifications

Level-of-Learning: Comprehend AFC procedures to identify the requirement for and to execute Award Fee Plan modifications.

Sample of Behavior: [CA4.1] Summarizes acquisition management situations which may require a change to the Award Fee provisions of a contract.

[CA4.2] Summarizes the process of preparing, coordinating and executing an Award Fee Plan modification.

Criterion Objective:

- >Condition: [CA4.1] Given this handbook, FAR, unlimited access to an AFSC regulation library, and simulated acquisition scenario (complete with contract and Award Fee Plan),
- Performance: the student will identify the requirement for and summarize those acquisition management situations which may require a change to the Award Fee Plan.
- >Standard: with 100% accuracy.
- >Condition: [CA4.2] Given this handbook, FAR, unlimited access to an AFSC regulation library, and simulated acquisition scenario (complete with contract and Award Fee Plan),
- Performance: the student will prepare a modification to an Award Fee Plan, summarize coordination requirements with the government and contractor team, and summarize the method to execute the modification
- >Standard: with 100% accuracy.

Objective Test:

[CA4.1] Here are six acquisition management scenarios. State if you would recommend a modification to the Award Fee Plan and and summarize your rationale.

[CA4.2] Here are three acquisition management scenarios which would reasonably require a modification to Award Fee Plan. Prepare the modifications to the provided Award Fee Plan. Summarize who must or should coordinate on the modification. Finally, summarize the steps needed to execute the plan modification.

JFR: CAS

JFR Title: Identify the components of a Contractor Feedback System

Level-of-Learning: Comprehend the components of a contractor internal Award Fee monitoring and feedback system to both the contractor and the government.

Sample of Behavior: Summarizes the components of an internal contractor Award Fee monitoring and feedback system.

Criterion Objective:

- Condition: Given this handbook, FAR, and unlimited access to an AFSC regulation library,
- Performance: the student will summarize the components of a contractor's internal Award Fee monitoring and feedback system
- Standard: with 100% accuracy.

Objective Test: Summarize the components of an internal contractor Award Fee input/monitoring and feedback system.

- - - - -

JPR	CHAPTER TASK

Planning Tasks	
PL1	1
PL2	1
Execution Tasks	
EX1	3
EX2	3
EX3	3
EX4	2
EX5	3
Contract Administration Tasks	
CA1	4
CA2	5
CA3	3, 5
CA4	2
CA5	4

TABLE 3. JPR TASK vs HANDBOOK COVERAGE

END
DATED
FILM
8-88
Dric